

# Annual Report 2005



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# Fast Facts

Administrator:

Jon C. Worthington

Headquarters:

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Elberton, GA 30635-6711

Telephone: 706-213-3800

Fax: 706-213-3884

website: <http://www.sepa.doe.gov>

Number of Employees: 42

Marketing Area:

Georgia, Florida, Alabama, Mississippi,  
Tennessee, Kentucky, Virginia, North Carolina,  
South Carolina, southern Illinois

Customers:

Electric Cooperatives.....	199
Public Bodies .....	293
Investor-Owned Utilities .....	2
<b>TOTAL .....</b>	<b>494</b>

Southeastern's wholesale customers serve more than 13 million consumers

Nameplate Generating Capacity: .....3,392 mw

Financial Data:

Total Revenues (2005).....	\$222 million
(includes Corps of Engineers' revenues)	
Total Capital Investment.....	\$2.1 billion

Term of repayment is 50 years from on-line date of each project.

Investment Repaid (2005) .....	\$51 million
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Cumulative Investment Repaid.....	\$773 million
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Cumulative Interest Paid on Investment....	\$1.3 billion
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Power sales repay an average of 62% of the total cost of each multi-purpose project

# Letter to the Secretary

Dear Secretary Bodman:

I am proud to submit Southeastern Power Administration's (Southeastern's) fiscal year (FY) 2005 Annual Report. This report serves as an overview of the agency's programs, accomplishments, and financial activities during this past year.

I was selected Southeastern's Administrator, effective October 1, 2006, replacing Charles Borchardt who retired from Southeastern on September 2, 2006.



In FY 2005, Southeastern marketed more than 8.7 billion kilowatt-hours of energy to 494 wholesale customers in an 11-state marketing area. Revenues from the sale of power totaled approximately \$220 million.

This past year, Southeastern's preference customers provided funding for capitalized items at specific Corps of Engineers' projects through a funding agreement with the U.S. Treasury. For several years, Southeastern has worked diligently with the preference customers in the Georgia-Alabama-South Carolina System and South Atlantic Division, Corps of Engineers, to establish a Memorandum of Agreement to help provide funding for much needed hydroelectric project repairs and maintenance.

Southeastern continued to work with the various reliability committees to review and comply with transmission issues and policies in the southeast and to adhere to operating standards set forth by these organizations. Our agency's participation continued in the PJM Interconnection.

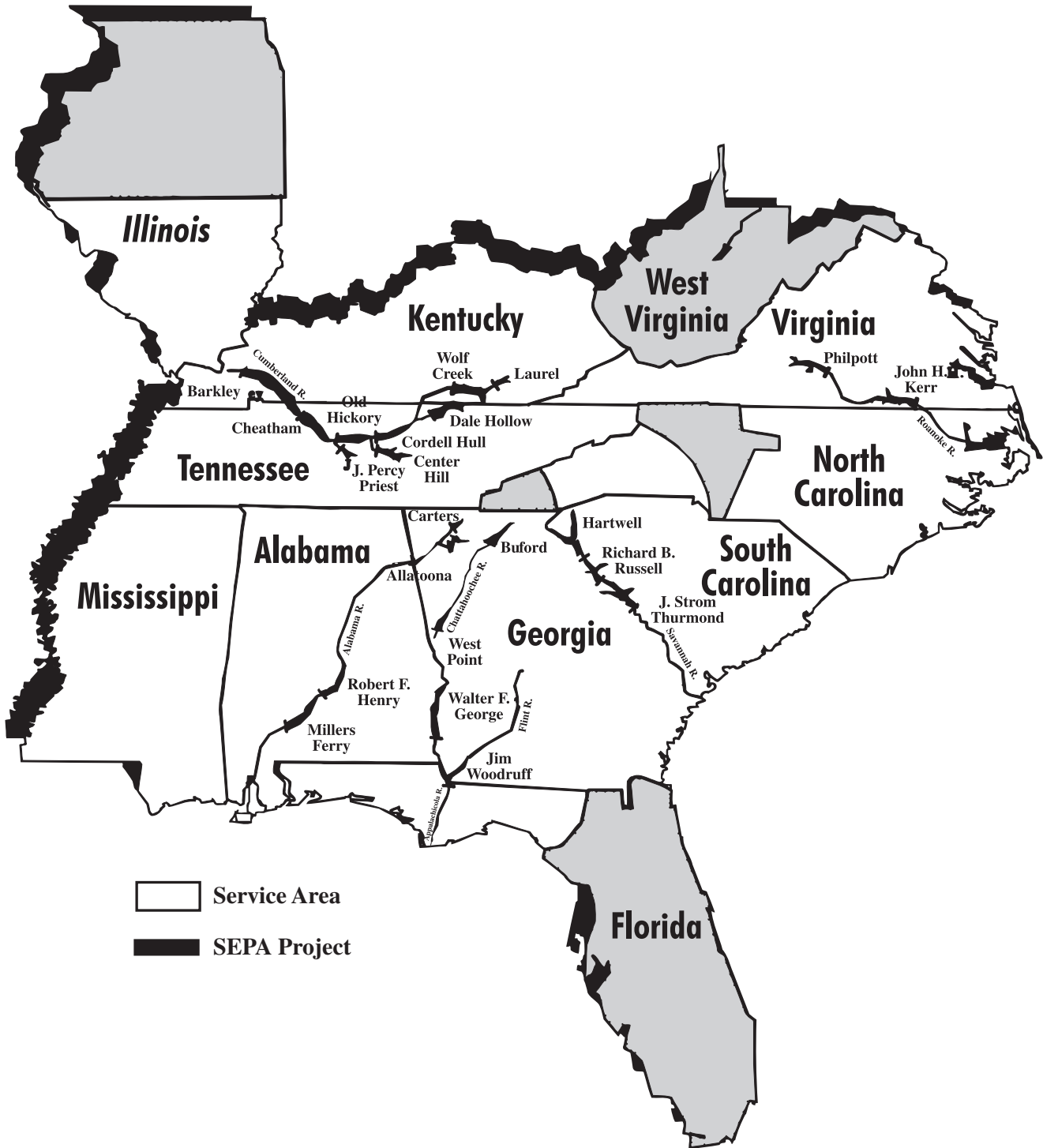
Another challenging year is on the horizon within the utility industry. Competing uses of water will continue to force Southeastern to be mindful of its mission, while meeting the goals and objectives set forth by the Department of Energy. We look forward to continuing to provide reliable hydroelectric power to the people in the Southeast.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon C. Worthington".

Jon C. Worthington,  
Administrator

# Marketing Area



# Report of Activities

## Human Capital Management Audit

The Department of Energy's (DOE) Office of Inspector General (OIG) conducted an audit of all the Power Marketing Administrations to examine the human capital management strategies. Southeastern's site-visit was conducted in March 2005. The objective of the audit was to determine if the agency's workforce plans were in place to meet future needs. The scope of the audit included information received during the past five years on workforce planning efforts. The OIG audit team reviewed Southeastern's workforce plans, applicable laws, regulations, policies, and procedures. The team recommended various improvements in the agency's workforce planning efforts and periodic evaluations of progress.

Effective workforce planning continues to be emphasized by the President's Management Agenda that applies to all Federal agencies.

## Technology Advances

During FY 2005, Southeastern continued to focus on providing the latest technology in the most cost effective manner. Various computer hardware and software that had exceeded their life cycle were replaced. Additional hardware and software were also slated for replacement.

Preparation began for replacement of the current local telephone system in FY 2005. The new telephone system will replace a system that has exceeded its programmed life cycle. The new systems will tie Southeastern's headquarters and emergency sites together, while allowing each site to function independently of each other in emergency situations.

Southeastern continued to support the DOE's Electronic Capital Planning Investment Control System in FY 2005 by actively participating in the

DOE Enterprise Architecture Working Group. Southeastern continued to work collectively with the other Power Marketing Administrations to accomplish various goals outlined in the President's Management Agenda.

In FY 2005, work continued with the Corps of Engineers' Supervisory Control and Data Acquisition (SCADA) interface at each hydroelectric project. Southeastern began preparation for a customer interface that allows for data retrieval with various utilities. This system is scheduled for completion during FY 2006.

A link to Southeastern's frame-relay network was extended to the John H. Kerr Project. The link completed the necessary communications for data exchange with both the Kerr and Philpott projects, as well as communication with the PJM Interconnection.

## Security

In FY 2005, Southeastern was audited by the DOE's Office of Independent Oversight. Most findings were addressed and corrected. The last of the findings continue to be corrected and work will be completed during the first quarter of FY 2006.

Development of a Memorandum of Agreement (MOA) between Southeastern and the South Atlantic Division of the Corps of Engineers was begun in FY 2005. This MOA will define the responsibilities of both parties in order to maintain sound cyber security practices on a shared network. The MOA should be finalized in early 2006.

A review by an outside independent auditing firm was conducted late in FY 2005 with the results expected in early FY 2006. The findings of the outside independent auditing firm will be reviewed with the same importance as the DOE audit. It is anticipated that any findings will be addressed and corrected within one year after receiving the final report.

Cyber Security Training was modified in FY 2005 to reflect the latest requirements necessary to maintain adequate security at Southeastern's headquarters site as well as Southeastern's emergency site. The planned cyber security training will also contain modules directed at physical and personal security. Special emphasis will be placed on the protection of critical assets and information. Future security measures are planned to ensure Southeastern continues to meet all North American Electric Reliability Council (NERC) and Southeastern Electric Reliability Council (SERC) requirements.

Preparation to implement the new Homeland Security Presidential Directive requiring unified governmental identification cards continues in FY 2005. This new directive will impact access to all government facilities and computers. Additional physical security measures will be required as part of the implementation. Once this directive is fully implemented, one verifiable identification card will be used as the basis for all physical and cyber access.

## Regional Transmission Organizations

Southeastern began operating in the PJM Interconnection in FY 2005. Employees continue to meet and discuss the agency's role in any proposed Regional Transmission Organizations in the southeast.

## Contract Negotiations

In FY 2005, Southeastern executed contracts and returned them to the five members in the South Carolina Electric & Gas area.

Amendments for the preference customers in the Dominion Virginia Power service area were also finalized in FY 2005. This contract amendment allows the preference customers in this area to self-schedule.

Effective October 1, 2004, American Electric Power Company (AEP) was integrated into the PJM Interconnection, and therefore it was necessary for Southeastern to renegotiate a new contract with AEP in FY 2005.

Blue Ridge Power Agency (BRPA) members reclaimed their allocation of capacity from the Kerr-Philpott System, effective July 1, 2005. Southeastern obtained necessary contractual arrangements for delivery of the capacity to the BRPA members by negotiating a contract with AEP. This contract was effective July 1, 2005. New contracts were executed for the BRPA members to have their allocations of power returned to them and to allow for self-scheduling. These contracts also incorporated the PJM integration with AEP.

Dominion Virginia Power joined the PJM Interconnection May 1, 2005. The contract between Southeastern Power Administration and Dominion Virginia Power was renegotiated and finalized effective May 1, 2005. This new contract incorporated the integration of Dominion Virginia Power and PJM.

In FY 2005, all new contracts were mailed to preference customers in the Dominion Virginia Power service area incorporating the integration between Dominion Virginia and PJM. New scheduling contracts were also discussed for the following groups and their members: Dominion Virginia Power Service Area, Old Dominion Electric Cooperative, and North Carolina Electric Membership Corporation.

A Memorandum of Agreement and amendment was signed, and thereafter the Funding Agreement approved among Southeastern, Southeastern Power LLC, and the participating customers in the Georgia-Alabama-South Carolina System in FY 2005. By September 1, 2005, more than 113 preference customers had signed the Funding Agreement, choosing to participate in the first work item. On September

29, 2005, the first work item was approved by the Project Review Committee which included the installation of an excitation system for units 1 through 4 at the Richard B. Russell Project.

## Competitive Resource Strategies

In FY 2005, Southeastern's Competitive Resource Strategies program provided assistance to customers by facilitating the procurement of renewable energy resources, co-sponsoring training to enhance marketing skills, and developing web-based tools to more effectively serve large load customers.

Increasing demand for energy efficiency and renewable energy has encouraged Southeastern to find new ways to provide value-added services to its customers. For those customers that own renewable energy resources, Southeastern assisted in locating alternative providers of certified renewable energy certificates. These certificates may greatly reduce customers' acquisition costs.

Southeastern also co-sponsored key accounts training in FY 2005. Key accounts representatives help customers provide more effective marketing support to large load retail customers. To further enhance marketing support to large customers, Southeastern partnered with the Western Area Power Administration to develop a web-based "Key Accounts Toolbox" for cooperative and municipal marketing representatives. The content of this web site is provided by Washington State University and includes a wide range of commercial and industrial energy use information. The "Toolbox" will help customers improve energy efficiency at the end-user level and enable utilities to improve customer service.

The Competitive Resource Strategies program also provided a wide range of educational presentations to customer groups and other state and Federal entities this past year. Some of these presentation topics included climate change, renewable resources, and trends in Federal budget and finance.

# Marketing Objectives

Southeastern Power Administration was created in 1950 by the Secretary of the Interior to carry out the functions assigned to the Secretary by the Flood Control Act of 1944. In 1977, Southeastern was transferred to the newly created Department of Energy. Headquartered in Elberton, Georgia, Southeastern markets electric power and energy in the states of Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, and southern Illinois, from reservoir projects operated by the U.S. Army Corps of Engineers.

The objectives of Southeastern are to market the electric power and energy generated by the Federal reservoir projects and to encourage widespread use of the power at the lowest possible cost to consumers. Power rates are formulated based on sound financial principles. Preference in the sale of power is given to public bodies and cooperatives, referred to as preference customers. Southeastern does not own transmission lines and must contract with other utilities to provide transmission service for the delivery of Federal power.

The responsibilities of Southeastern include the negotiation, preparation, execution, and administration of contracts for the sale of electric power; the preparation of wholesale rates and repayment studies; the provision, by construction, contract or otherwise, of transmission and related facilities to interconnect reservoir projects and to serve contractual loads; and activities pertaining to the operation of power facilities to ensure and maintain continuity of electric service to customers.

## Section 5 of the Flood Control Act of 1944

“Electric power and energy generated at reservoir projects under the control of the Department of the Army not required in the operation of such projects shall be delivered to the Secretary of Energy, who shall transmit and dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles, the rate schedules to become effective upon confirmation and approval by the Secretary of Energy. Rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the projects) of the cost of producing and transmitting such electric energy, including the amortization of the capital investment allocated to power over a reasonable period of years. Preference in the sale of such power and energy shall be given to public bodies and cooperatives. The Secretary of Energy is authorized, from funds to be appropriated by Congress, to construct or acquire, by purchase or other agreement, only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at said projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives, and privately owned companies. All monies received from such sales shall be deposited in the Treasury of the United States as miscellaneous receipts.”

# Rates and Repayments

One of the major responsibilities of Southeastern is to design, formulate, and justify rates. Repayment studies prepared by the agency determine revenue requirements and appropriate rate levels. Repayment studies for each of Southeastern's four power marketing systems are updated annually and demonstrate the adequacy of the rates for each system. Rates are

considered to be adequate when revenues are sufficient to repay all costs associated with power production and transmission costs. Power production and transmission costs include the amortization of Federal investment allocated to power. An outline of the status of repayment is included in the table below.

**Status of Repayment as of September 30, 2005 - Table 1**

System	Initial Year of Repayment Studies	Cumulative Revenue \$	Cumulative Expenses and Interest \$	Total Investment to be Repaid \$	Investment Repaid to Date \$	Unpaid Balance Of Investment \$
Georgia- Alabama- S. Carolina	1950	2,711	2,354	1,572	357	1,215
Jim Woodruff	1957	150	123	66	27	39
Cumberland	1949	1,145	850	393	295	98
Kerr-Philpott	1953	425	331	111	94	17
TOTAL		4,431	3,658	2,142	773	1,369

(Dollars in Millions)

# Georgia-Alabama-South Carolina

The Georgia-Alabama-South Carolina System consists of ten projects located in Georgia, Alabama, and South Carolina. The power generated at these projects is sold to 176 preference entities that serve 204 preference customers and one investor-owned utility in Georgia, Alabama, South Carolina, North Carolina, Mississippi, and Florida.

## Generation

Generation from streamflow for FY 2005 was 116% of the average. Figure A illustrates the percent of average generation by project, and Figure B shows system generation for the years 1995 through 2005.

## Financial Performance

Total revenue for the Georgia-Alabama-South Carolina System was \$148.5 million in FY 2005. Of this amount, \$147.5 million was derived from the sale of 4,407,686 megawatt-hours of energy and 2,182.4 megawatts of capacity. Total operating

expenses, excluding depreciation, were \$60.8 million, interest charged to Federal investment was \$58.2 million, and repayment of the Federal investments was \$29.5 million. Figure C shows the revenue by source for this system, and Figure D shows the application of revenues.

Table 2 indicates the allocation of costs by project function for each project in the system, and Table 3 indicates the current rates. Current rates for the Georgia-Alabama-South Carolina System were approved on a final basis by the Federal Energy Regulatory Commission (FERC) on November 3, 2004.

## Project Rehabilitation

The rehabilitation work at the J. Strom Thurmond, Walter F. George, and Buford Projects continued during FY 2005, and work began on the rehabilitation of the Buford Project. Planning also continued for the rehabilitation of the Allatoona Project.

**Cost Allocation by Project Function as of September 30, 2005 - Table 2**

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Allatoona	58,999,920	69.99	—	15.54	—	14.07	0.39(a)
Buford	94,392,684	79.80	2.25	4.98	—	12.98	—
Carters	163,978,045	86.71	—	8.76	—	4.53	—
J. Strom Thurmond	168,770,916	88.96	2.68	2.46	—	5.90	—
Walter F. George	232,876,787	61.27	35.06	—	0.15	3.52	—
Hartwell	191,903,131	90.85	2.14	2.71	—	4.30	—
Robert F. Henry	99,935,151	65.59	24.34	—	—	10.07	—
Millers Ferry	93,008,657	59.25	35.62	—	—	5.13	—
West Point	153,461,002	43.13	1.76	14.07	9.03	32.02	—
Richard B. Russell	1,114,874,441	61.76	—	0.43	—	37.81	—
TOTAL-GA/AL/SC	2,372,200,734	67.50	6.43	2.70	0.60	22.76	0.01

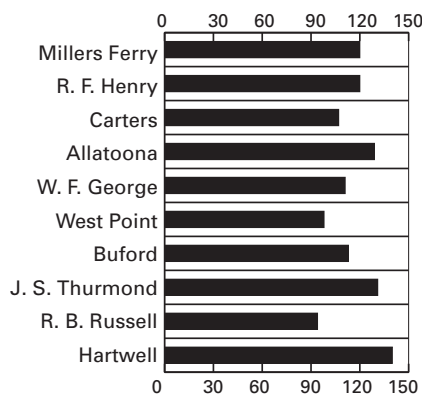
(a) water supply

# Georgia-Alabama-South Carolina

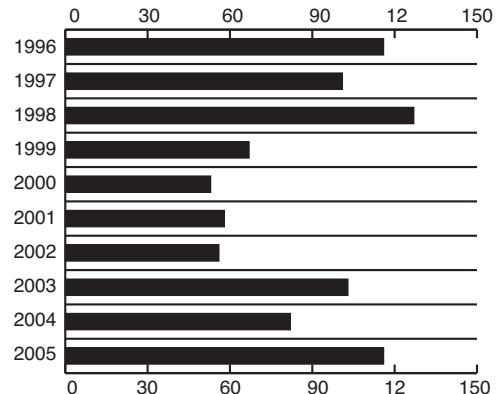
**Basic Power Rate Schedule as of September 30, 2005 - Table 3**

Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month	Ancillary & Generation Service
Municipal Elec. Auth. of Georgia & City of Dalton	3.39	8.39	—	.25
Oglethorpe Power Corp. Area	3.39	8.39	—	.12
Southern Company	3.39	8.39	2.15	.36
AEC Off System	3.39	8.39	2.15	.23
Alabama Electric Cooperative	3.39	8.39	—	.12
So. Mississippi Electric Power Assoc.	3.39	8.39	2.06	.12
So. Carolina Public Service Authority Area				
So. Carolina Public Service Authority	3.39	8.39	—	.12
Preference Customers -SCPSA	3.39	8.39	.98	.12
Duke Power Area				
Bundled	3.39	8.39	.91	.12
Self Scheduling and Self Transmitting	3.39	8.39	—	.12
So. Carolina Electric & Gas Area	3.39	8.39	.89	.12

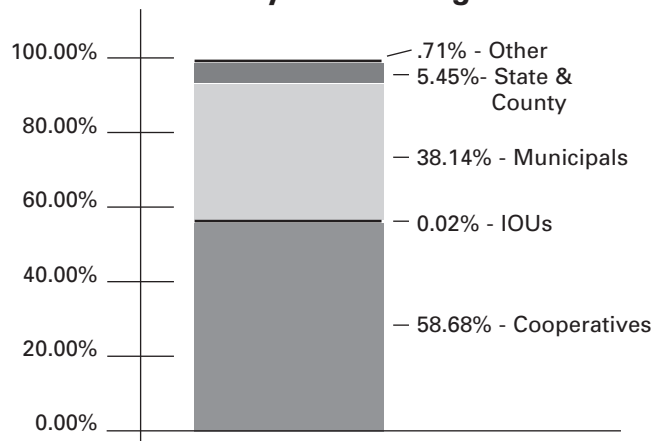
**Actual Generation as a Percentage of Average Project Generation - Figure A**



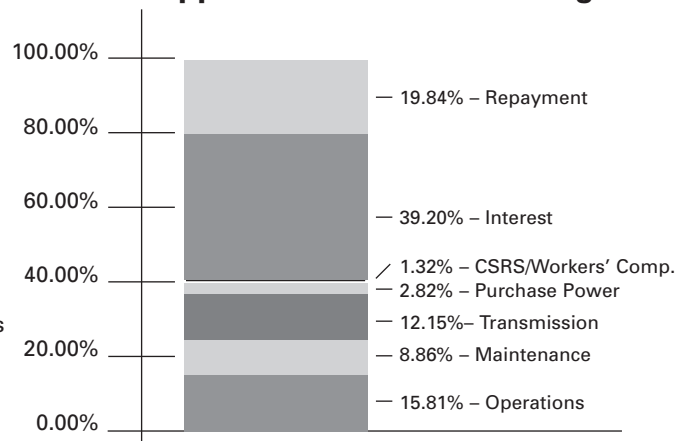
**Actual Generation as a Percentage of Average System Generation - Figure B**



**FY 2005 Revenue by Source - Figure C**



**FY 2005 Application of Revenues - Figure D**



# Kerr-Philpott

The Kerr-Philpott System consists of two projects – John H. Kerr on the Roanoke River and Philpott on the Smith River. Power generated at the projects is marketed to 76 preference customers in North Carolina and Virginia.

## Generation

Generation for FY 2005 was 103% of average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 1995 through 2005.

## Financial Performance

Total revenue for the Kerr-Philpott System in FY 2005 was \$11 million. Of this amount, \$10.8 million was derived from the sale of 451,442 megawatt-hours of energy and 196.5 megawatts of capacity.

Total operating expenses, excluding depreciation, were \$9.6 million. Interest charged to Federal investment was \$0.8 million and repayment of the Federal investment was \$0.6 million. Figure G shows the revenue by source for the Kerr-Philpott System, and Figure H shows the application of revenues.

Table 4 indicates the allocation of costs by project function for each project in the system. Table 5 indicates the current rates. Current rates for the Kerr-Philpott System were approved on a final basis by the Federal Energy Regulatory Commission on March 6, 2002.

## Rehabilitation

During FY 2005, rehabilitation work began at the John H. Kerr Project.

**Cost Allocation by Project Function as of September 30, 2005 - Table 4**

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
John H. Kerr	143,250,415	78.81	–	17.38	–	3.56	0.25(a)
Philpott	20,686,704	45.09	–	40.12	–	14.79	–
TOTAL- Kerr-Philpott System	163,937,119	74.56	–	20.25	–	4.97	0.22

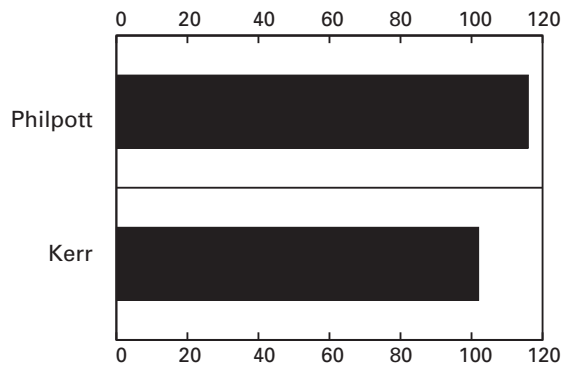
(a) water supply

**Basic Power Rate Schedule as of September 30, 2005 - Table 5**

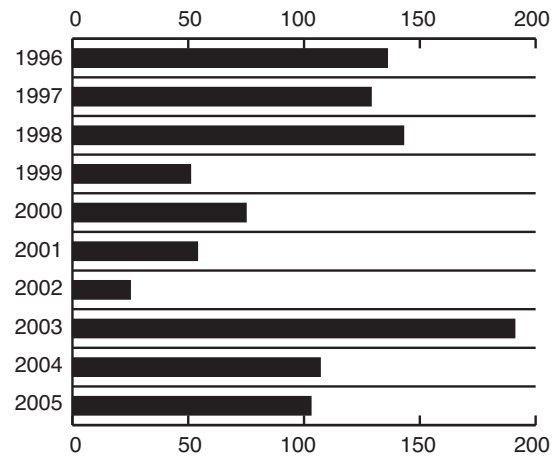
Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$KW/ Month	Ancillary & Services/ KWH	Tandem Transmission \$/KW/Month
Virginia Power Co. Area					
Bundled	1.96	8.25	(5.10)	7.50	1.93
Self Scheduling	1.96	8.25	(5.10)	7.50	1.93
Self Scheduling and Self Transmitting	1.96	8.25	–	7.50	1.93
Scheduled by CP&L	1.96	8.25	(5.10)	7.50	1.93
American Electric Power Service Area	1.96	8.25	–	7.50	1.93
Carolina Power & Light Co. Area	1.96	8.25	1.0475	–	1.93

# Kerr-Philpott

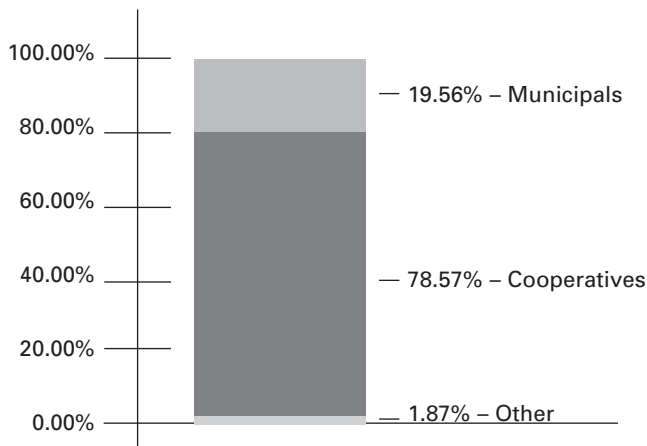
**Actual Generation as a Percentage of Average Project Generation - Figure E**



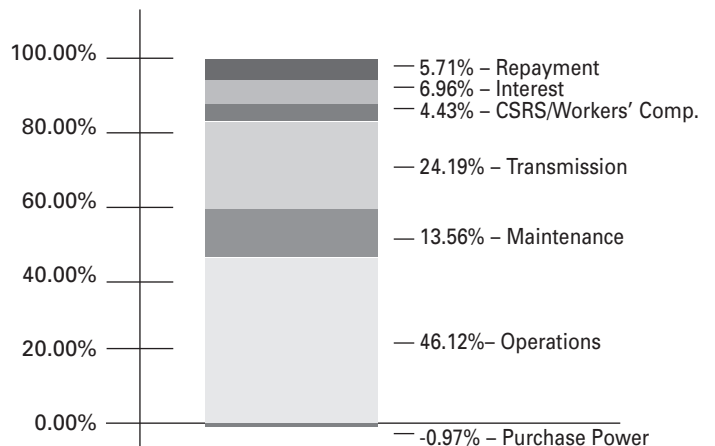
**Actual Generation as a Percentage of Average System Generation - Figure F**



**FY 2005 Revenue by Source - Figure G**



**FY 2005 Application of Revenues - Figure H**



# Cumberland

There are nine projects in the Cumberland System located in Tennessee and Kentucky. The power produced at these projects is delivered to 23 preference entities that serve 216 preference customers in Tennessee, Kentucky, Mississippi, North Carolina, Alabama, Georgia, and Virginia and southern Illinois.

## Generation

Generation for the system during FY 2005 was 122% of average. The percentage of average generation by project is shown in Figure I, and Figure J shows system generation for the years 1995 through 2005.

## Financial Performance

Total revenue for the Cumberland System was \$54.6

million. Of this amount, \$53.6 million was derived from the sale of 3,628,687 megawatt-hours of energy and 948.3 megawatts of capacity. Total operating expenses, excluding depreciation, were \$33.1 million. Interest charged to Federal investment was \$2.5 million, and repayment of the Federal investment was \$19.0 million. Figure K shows the revenue by source for the Cumberland System, and Figure L shows the application of revenues for this system.

Table 6 indicates the allocation of costs by project function for each project in this system, and Table 7 indicates the current rates. Current rates for the Cumberland System were approved on a final basis by the Federal Energy Regulatory Commission on August 2, 2004.

### Cost Allocation by Project Function as of September 30, 2005 - Table 6

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Barkley	197,624,844	25.30	59.02	11.69	–	4.00	–
J. Percy Priest	66,269,872	17.57	–	39.09	–	43.34	–
Cheatham	51,567,428	41.61	50.13	–	–	8.27	–
Cordell Hull	90,471,237	47.16	19.39	–	–	26.26	7.19 (b)
Old Hickory	72,951,993	55.38	38.74	–	–	5.89	–
Center Hill	77,380,195	51.04	–	38.16	–	9.90	0.90(a)
Dale Hollow	33,791,796	60.87	–	33.19	–	5.94	–
Wolf Creek	222,846,857	59.78	–	37.48	–	2.63	0.11 (a)
Laurel	51,299,845	53.49	–	–	–	34.15	12.37 (b)
TOTAL- Cumberland System	864,204,067	44.77	21.79	20.05	–	11.80	1.60

(a) World War II Suspension Costs

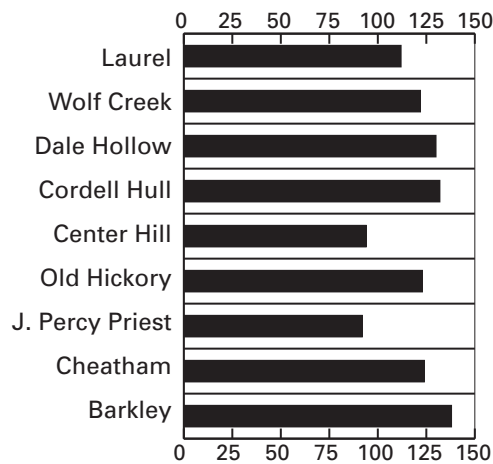
(b) Area Redevelopment

# Cumberland

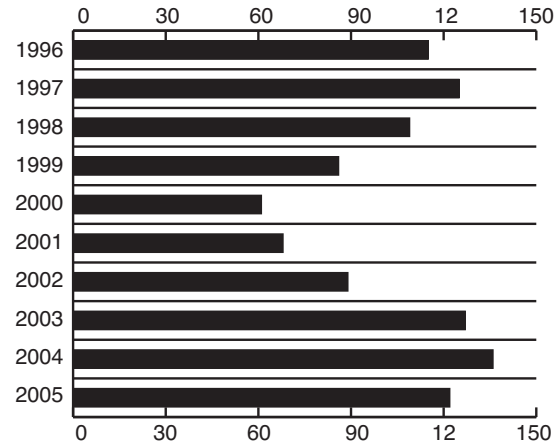
**Basic Power Rate Schedule as of September 30, 2005 - Table 7**

Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month
Tennessee Valley Authority	1.91	9.13	–
Carolina Power & Light Co. Area	3.84	–	1.05
Kentucky Utility Area	3.37	9.13	–
East Kentucky Power Cooperative	2.23	9.13	–
Other Preference Customers	3.37	–	–

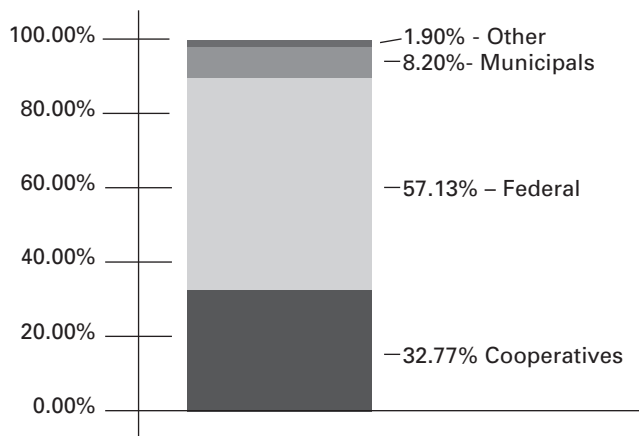
**Actual Generation as a Percentage of Average Project Generation - Figure I**



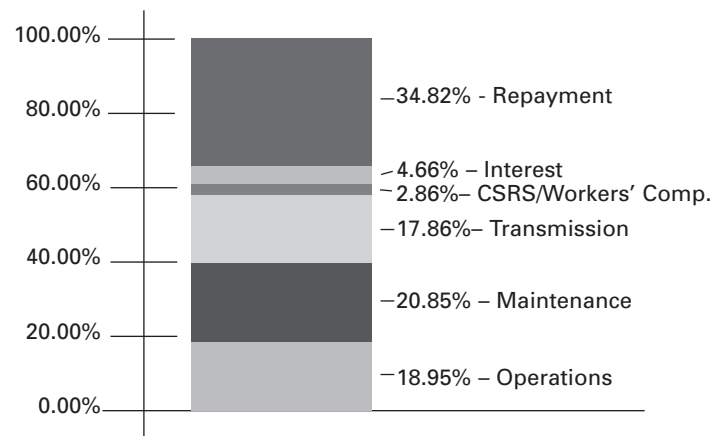
**Actual Generation as a Percentage of Average System Generation - Figure J**



**FY 2005 Revenue by Source - Figure K**



**FY 2005 Application of Revenues - Figure L**



# Jim Woodruff

The Jim Woodruff System is a one-project system located in the northern panhandle of Florida near the Georgia-Florida border. This system has six customers located in the northern part of Florida and one investor-owned utility.

## Generation

Generation during FY 2005 was 101% of average. Figure M illustrates the project's generation for the years 1995 through 2005.

## Financial Performance

Revenue from the sale of power for the Jim Woodruff System was \$8.3 million in FY 2005. Total revenue was \$8.2 million, which includes a loss of \$0.1 million to the Corps of Engineers' revenue.

Approximately 242,256 megawatt-hours of energy and 36 megawatts of capacity were generated in FY 2005.

Total operating expenses, excluding depreciation, were \$4.5 million. Interest charged to the Federal investment was \$2.1 million, and repayment of the Federal investment was \$1.6 million. Figure N shows the revenue by source for the system, and Figure O shows the application of revenues.

Table 8 indicates the allocation of costs by project function for the project in the system, and Table 9 indicates the current rates. Current rates for the Jim Woodruff System were approved on a final basis on April 18, 2005. On June 17, 2005, FERC issued an order granting rehearing for further consideration.

**Cost Allocation by Project Function as of September 30, 2005 - Table 8**

Project	Total \$	Power %	Navigation %	Flood Control %	Fish and Wildlife %	Recreation %	Other %
Jim Woodruff	102,592,009	62.44	31.23	–	–	6.32	–
TOTAL- Jim Woodruff System	102,592,009	62.44	31.23	–	–	6.32	–

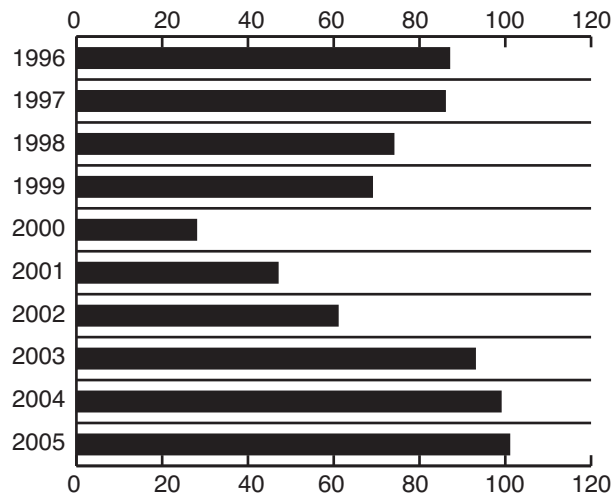
**Basic Power Rate Schedule as of September 30, 2005 - Table 9**

Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh
Preference Customers	6.95	19.95
Investor Owned Utility*	–	22.89

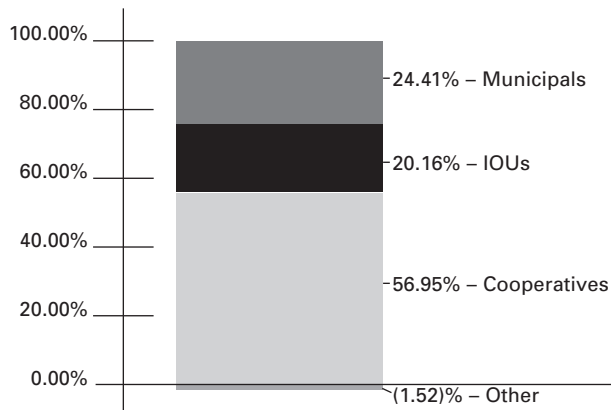
\*Rate determined at 90% of Investor Owned Utility avoided cost

# Jim Woodruff

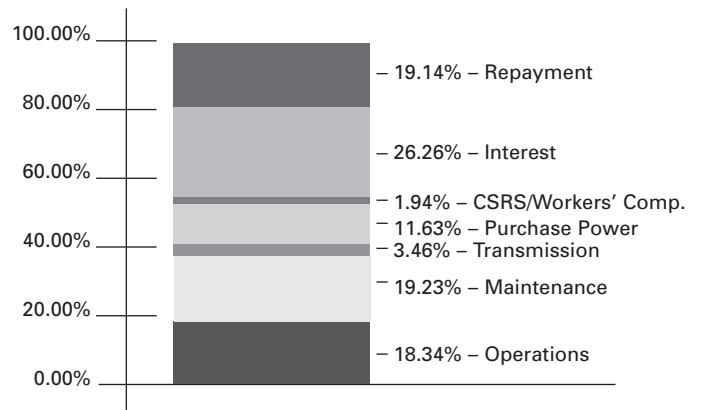
**Actual Generation as a Percentage of Average System Generation - Figure M**



**FY 2005 Revenue by Source - Figure N**



**FY 2005 Application of Revenues - Figure O**



# Customer Sales

Customer	KW	ENERGY	REVENUE	Customer	KW	ENERGY	REVENUE
<b>Georgia-Alabama-South Carolina System</b>							
<b>Alabama</b>							
Alabama EC	100,000	242,064,000	6,407,492.57	City of Brinson	156	303,174	9,612.23
Baldwin County EMC	17,284	39,322,714	1,529,434.64	City of Buford	2,356	4,565,653	145,045.75
Black Warrior EMC	18,494	36,014,176	1,614,236.43	City of Cairo	6,253	12,122,871	385,011.82
Central Alabama EC	18,660	42,441,878	1,651,091.22	City of Calhoun	7,660	14,857,448	471,707.04
Clarke-Washington EMC	6,678	15,163,383	590,655.32	City of Camilla	6,072	11,759,473	373,752.13
Coosa Valley EC	5,728	13,036,676	506,906.54	City of Cartersville	17,152	33,236,508	1,055,935.80
Dixie EC	7,273	16,562,278	643,718.02	City of College Park	15,559	30,170,663	958,059.88
Pea River EC	3,422	7,764,823	302,620.21	City of Commerce	4,456	8,627,361	274,259.28
Pioneer EC	10,056	22,857,302	889,647.77	City of Covington	9,382	18,186,317	577,645.82
Tallapoosa River EC	11,494	26,125,861	1,016,873.94	City of Dalton	45,822	92,310,116	2,849,260.44
Tombigbee EC	6,578	12,817,270	574,227.17	City of Doerun	629	1,218,715	38,722.34
Wiregrass EC	8,467	19,275,007	749,339.45	City of Douglas	10,180	19,724,269	626,696.31
City of Alexander City	7,846	15,275,125	684,798.23	City of East Point	33,488	64,876,855	2,061,498.45
City of Dothan	52,461	102,200,292	4,579,397.50	City of Elberton	11,447	22,165,704	704,570.09
City of Evergreen	4,047	7,871,207	353,150.19	City of Ellaville	936	1,815,021	57,635.35
City of Fairhope	6,248	12,167,907	545,360.60	City of Fairburn	1,799	3,489,492	110,784.57
City of Foley	21,199	41,283,893	1,850,359.97	City of Fitzgerald	9,720	18,834,827	598,394.47
City of Hartford	3,050	5,894,808	265,805.64	City of Forsyth	3,720	7,207,870	229,010.39
City of LaFayette	2,358	4,588,002	205,781.11	City of Fort Valley	9,417	18,248,560	579,749.08
City of Lanett	5,321	10,359,410	464,417.55	City of Grantville	470	909,517	28,923.40
City of Luverne	3,158	6,147,672	275,624.99	City of Griffin	18,157	35,186,048	1,117,826.75
City of Opelika	20,809	40,529,342	1,816,364.21	City of Hampton	832	1,503,157	71,601.64
City of Piedmont	3,869	7,533,378	337,694.77	City of Hogansville	1,531	2,965,466	94,242.04
City of Robertsdale	3,372	6,558,332	294,247.88	City of Jackson	2,067	4,005,487	127,252.89
City of Sylacauga	16,494	32,091,713	1,439,411.32	City of LaFayette	6,607	12,801,498	406,737.62
City of Troy	10,079	19,620,370	879,674.75	City of Lagrange	17,096	33,142,149	1,052,619.13
City of Tuskegee	11,689	22,751,862	1,020,168.20	City of Lawrenceville	4,795	9,303,976	295,311.54
<b>Alabama Total</b>	<b>386,134</b>	<b>828,318,681</b>	<b>\$31,488,500.19</b>	City of Marietta	37,172	72,082,710	2,288,918.17
				City of Monroe	7,223	13,992,101	444,632.49
				City of Monticello	1,836	3,555,753	113,012.34
				City of Moultrie	15,480	29,993,977	952,978.15
				City of Newnan	6,893	13,357,646	424,362.73
				City of Norcross	1,736	3,367,018	106,902.31
				City of Oxford	458	889,439	28,214.07
				City of Palmetto	923	1,788,918	56,826.53
				City of Quitman	4,428	8,575,159	272,554.53
				City of Sandersville	4,997	9,679,425	307,599.42
				City of Sylvania	5,436	10,540,759	334,724.22
				City of Sylvester	3,952	7,661,622	243,331.93
				City of Thomaston	7,687	14,903,628	473,312.51
				City of Thomasville	25,053	48,549,724	1,542,376.02
				City of Washington	5,068	9,817,967	311,979.32
				City of West Point	4,683	9,065,049	288,213.86
				City of Whigham	319	618,391	19,640.97
				Crisp County Power Comm.	18,068	35,009,370	1,112,308.67
				Town of Mansfield	379	732,837	23,318.15
				Southern Company	-	1,127,000	23,299.52
				<b>Georgia Total</b>	<b>1,095,655</b>	<b>1,994,658,285</b>	<b>\$65,448,751.77</b>
				<b>Mississippi</b>			
				Coast EPA	26,863	52,371,547	2,345,272.09
				East Mississippi EPA	11,336	22,114,641	989,820.14
				Singing River EPA	33,684	65,684,432	2,940,915.93
				South Mississippi EPA	68,000	157,704,540	5,979,014.78
				<b>Mississippi Total</b>	<b>139,883</b>	<b>297,875,160</b>	<b>\$12,255,022.94</b>
				<b>North Carolina</b>			
				Blue Ridge EMC	7,311	17,245,161	471,005.12
				EnergyUnited EMC	16,302	38,584,847	1,051,488.62
				Haywood EMC	926	2,469,197	62,031.54
				Pee Dee EMC	455	1,205,127	30,404.05
				Rutherford EMC	24,018	56,468,835	1,545,593.01
				Union EMC	11,633	31,160,321	780,590.82
				City of Cherryville	1,478	1,686,892	77,933.88
				City of Concord	8,007	12,163,905	536,318.49
				City of Gastonia	15,971	18,221,715	842,079.09
				City of Kings Mountain	2,896	4,398,146	193,965.36
				City of Lincolnton	1,577	1,798,818	83,144.12
				City of Monroe	7,693	8,779,011	405,634.58
				City of Morganton	9,535	26,469,348	647,660.75
				City of Newton	2,067	2,357,160	108,973.18
				City of Shelby	5,892	6,720,985	310,646.14
				City of Statesville	9,705	11,072,077	511,695.38
				Town of Bostic	412	1,153,065	28,071.70
				Town of Cornelius	361	412,176	19,036.79
				Town of Dallas	1,299	1,971,670	86,993.08
				Town of Drexel	879	2,445,305	59,753.98
				Town of Forest City	2,721	4,134,128	182,260.47
				Town of Granite Falls	828	944,190	43,652.18
				Town of Huntersville	490	558,337	25,828.71
				Town of Landis	1,098	1,251,660	57,882.57
				Town of Maiden	1,235	1,408,153	65,107.77
				Town of Pineville	490	558,337	25,828.71
				<b>North Carolina Total</b>	<b>135,279</b>	<b>255,638,566</b>	<b>\$8,253,580.09</b>

# Customer Sales

Customer	KW	ENERGY	REVENUE	Customer	KW	ENERGY	REVENUE
<b>South Carolina</b>				<b>North Carolina Total</b>			
Blue Ridge EC	18,399	43,690,112	1,187,763.49	Town of Tarboro	2,145	1,625,870	65,211.96
Broad River EC	5,570	13,142,410	358,781.78	Town of Wake Forest	149	112,939	8,077.56
Central Electric Power Coop.	129,088	324,031,122	9,840,093.64	Town of Windsor	331	291,440	12,935.67
Laurens EC	13,843	32,845,195	893,398.70	<b>North Carolina Total</b>	93,705	201,071,045	\$5,913,792.47
Little River EC	5,272	12,715,193	347,500.96	<b>Virginia</b>			
York EC	9,050	21,323,216	582,654.26	B-A-R-C EC	3,740	10,367,785	189,248.75
City of Abbeville	2,878	11,357,640	239,266.29	Central Virginia EC	7,956	21,904,373	410,226.92
City of Clinton	2,890	4,389,636	193,569.02	Community EC	4,230	11,711,533	213,566.25
City of Easley	8,405	31,090,486	729,548.40	Craig-Botetourt EC	1,692	4,986,819	87,740.46
City of Gaffney	6,783	25,106,529	588,904.52	Mecklenburg EMC	11,344	31,740,230	576,892.27
City of Georgetown	5,300	13,421,845	405,107.83	Northern Neck EC	3,944	11,136,156	203,351.27
City of Greenwood	11,404	28,890,480	751,518.67	Northern Virginia EC	3,268	9,719,633	178,060.61
City of Greer	8,891	33,034,191	773,059.96	Prince George EC	2,530	6,808,763	124,031.33
City of Laurens	5,719	21,224,917	497,042.39	Rappahannock EC	22,427	65,840,200	1,207,553.09
City of Newberry	3,183	4,834,217	213,189.74	Shenandoah Valley EMC	9,938	27,816,005	506,076.92
City of Orangeburg	13,779	37,363,400	1,073,009.11	Southside EC	14,575	40,932,545	746,528.34
City of Rock Hill	18,559	68,655,683	1,610,955.07	City of Bedford	1,200	308,465	20,491.98
City of Seneca	2,688	1,904,110	131,903.03	City of Danville	5,600	1,439,502	95,629.21
City of Union	3,385	5,141,970	226,727.96	City of Franklin	1,003	883,178	39,201.00
City of Westminster	658	999,327	44,071.19	City of Martinsville	1,600	411,287	27,322.65
Town of Bamberg	2,300	5,752,213	175,132.96	City of Radford	1,300	334,171	22,199.66
Town of Due West	285	432,670	19,087.03	City of Salem	2,200	565,519	37,568.62
Town of McCormick	522	1,379,175	40,368.37	Harrisonburg Electric Comm.	2,691	2,400,626	105,565.75
Town of Prosperity	602	2,240,139	52,374.29	Town of Blackstone	389	342,598	15,208.04
Town of Winnsboro	1,366	3,585,849	105,424.89	Town of Culpepper	391	349,073	15,355.31
South Carolina PSA	135,000	260,757,160	8,103,771.05	Town of Elkton	171	150,765	6,695.72
<b>South Carolina Total</b>	415,819	1,009,308,885	\$29,184,224.60	Town of Richlands	500	128,528	8,538.34
<b>Georgia-Alabama-South Carolina System Total</b>				Town of Wakefield	106	93,459	4,150.74
				<b>Virginia Total</b>	102,795	250,371,213	\$4,841,203.23
<b>Kerr-Philpott System</b>				<b>Kerr-Philpott System Total</b>	196,500	451,442,258	\$10,754,995.70
<b>North Carolina</b>				<b>Jim Woodruff System</b>			
Albemarle EMC	2,593	7,223,940	170,122.87	Central Florida EC	2,300	11,435,097	420,248.63
Brunswick EMC	3,515	10,298,288	253,534.72	Suwannee Valley EC	4,800	22,525,482	849,703.36
Carteret-Craven EMC	2,679	7,848,965	193,234.58	Talquin EC	13,500	65,959,854	2,441,799.08
Central EMC	1,239	3,630,037	89,368.33	Tri-County EC	5,200	25,158,765	935,597.35
Edgecombe-Martin County EMC	4,155	11,869,281	276,897.72	City of Chattahoochee	1,800	10,368,951	349,673.50
Four County EMC	4,198	12,299,349	302,798.97	City of Quincy	8,400	47,198,923	1,642,178.51
Halifax EMC	2,606	7,423,872	175,733.44	Florida Power Corporation	-	59,608,524	1,645,503.20
Harkers Island EMC	56	42,453	3,035.88	<b>Jim Woodruff System Total</b>	36,000	242,255,596	\$8,284,703.63
Jones-Onslow EMC	5,184	15,188,144	373,918.74	<b>Cumberland System</b>			
Lumbree River EMC	3,729	10,925,267	268,970.47	Southern Illinois Power Coop.	28,000	42,000,000	1,133,328.00
Pee Dee EMC	2,968	8,695,681	214,079.92	<b>Kentucky</b>			
Piedmont EMC	1,086	3,218,560	78,635.98	Big Rivers Electric Corp.	178,000	291,156,000	7,204,728.00
Pitt & Greene EMC	1,580	4,629,102	113,964.35	East Kentucky Power Coop.	170,000	254,746,000	6,879,110.98
Randolph EMC	3,608	10,570,761	260,242.79	City of Barbourville	2,200	4,578,626	95,073.00
Roanoke EMC	5,528	15,245,246	358,907.28	City of Bardstown	2,247	4,676,442	97,104.12
South River EMC	6,119	17,927,520	441,359.66	City of Bardwell	542	1,128,007	23,422.56
Tideland EMC	3,098	9,060,223	213,316.44	City of Benham	248	516,136	10,717.32
Tri-County EMC	3,096	9,070,699	223,312.51	City of Corbin	2,598	5,406,941	112,272.48
Wake EMC	2,164	6,340,111	156,087.93	City of Falmouth	590	1,227,904	25,496.88
City of Elizabeth City	2,073	1,571,297	63,023.04	City of Frankfort	15,621	32,510,324	675,061.44
City of Kinston	1,466	1,111,202	79,474.44	City of Henderson	12,000	18,000,000	485,712.00
City of Laurinburg	415	314,562	22,497.85	City of Madisonville	7,803	16,239,553	337,206.60
City of Lumberton	895	678,393	48,519.55	City of Nicholasville	2,556	5,319,531	110,457.60
City of New Bern	1,204	912,609	65,270.94	City of Owensboro	25,000	52,029,839	1,080,375.00
City of Rocky Mount	2,538	1,923,756	137,589.46	City of Paris	1,364	2,838,748	58,945.20
City of Washington	2,703	2,048,824	146,534.33	City of Providence	1,231	2,561,949	53,197.68
City of Wilson	2,950	2,236,044	159,924.70	<b>Kentucky Total</b>	422,000	692,936,000	\$17,248,880.86
Fayetteville Public Works Comm.	5,431	4,116,595	294,424.01	<b>Mississippi</b>			
Greenville Utilities Commission	7,534	5,710,631	408,431.32	South Mississippi EPA	51,000	76,500,000	2,064,276.00
Town of Apex	145	109,909	7,860.74	Miss. Delta Energy Agency	11,215	16,405,000	453,938.40
Town of Ayden	208	157,661	11,276.04	Mun. Energy Agency of Miss.	18,785	28,177,000	760,341.72
Town of Belhaven	182	137,953	5,533.15	<b>Mississippi Total</b>	81,000	121,082,000	\$3,278,556.12
Town of Benson	120	90,957	6,505.37	<b>North Carolina</b>			
Town of Clayton	161	122,033	8,728.07	French Broad EMC	8,200	13,537,255	479,469.59
Town of Edenton	775	587,436	23,561.45	Haywood EMC	2,400	3,962,122	140,332.56
Town of Enfield	259	227,986	10,118.10	Town of Waynesville	1,700	2,806,503	99,402.23
Town of Farmville	237	179,641	12,848.21	<b>North Carolina Total</b>	12,300	20,305,880	\$719,204.38
Town of Fremont	60	45,481	3,252.70	<b>Tennessee Valley Authority</b>			
Town of Hamilton	40	30,319	1,216.09	Tennessee Valley Authority	405,000	2,752,363,000	\$31,214,129.68
Town of Hertford	203	153,871	6,171.58	<b>Cumberland System Total</b>			
Town of Hobgood	46	34,868	1,398.50	Cumberland System Total	948,300	3,628,686,880	\$53,594,099.04
Town of Hookerton	30	22,739	1,626.40	<b>Grand Total</b>			
Town of La Grange	93	70,493	5,041.71	Grand Total	3,363,203	8,730,070,426	\$220,116,056.64
Town of Louisburg	857	3,987,528	73,997.46				
Town of Pikeville	40	30,319	2,168.48				
Town of Red Springs	117	88,684	6,342.77				
Town of Robersonville	232	175,852	7,053.22				
Town of Scotland Neck	304	230,427	9,242.16				
Town of Selma	183	138,711	9,920.77				
Town of Smithfield	378	286,516	20,492.09				

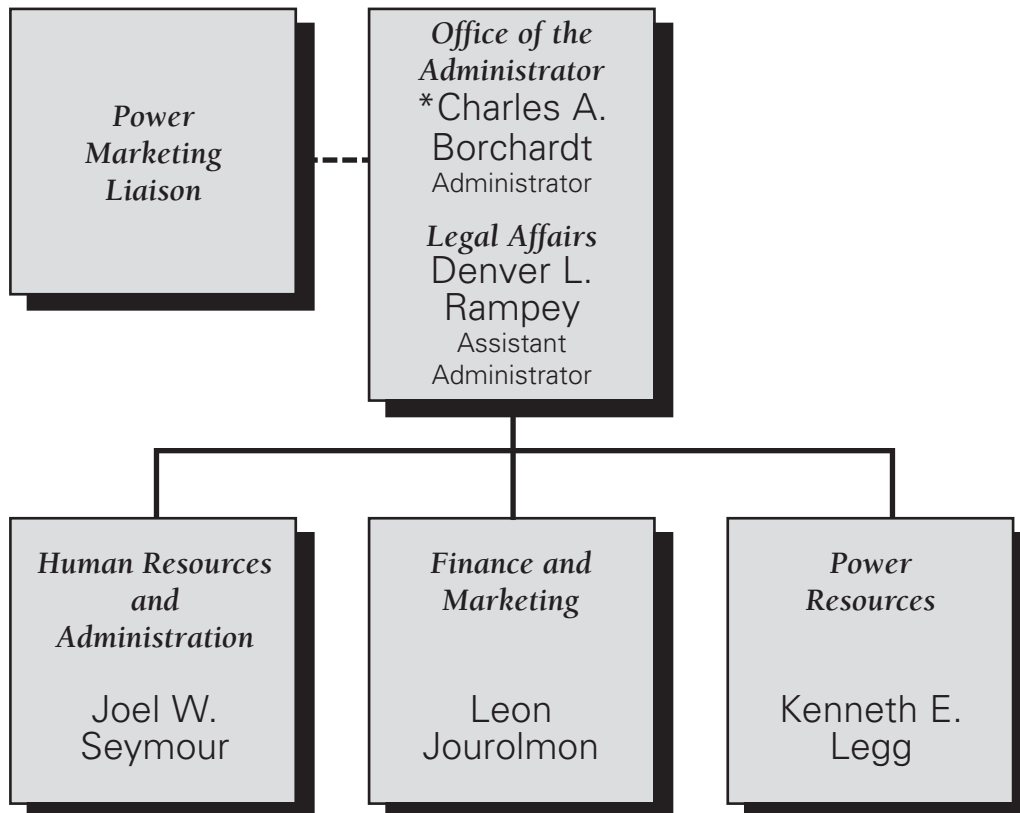
# A Closer Look

## Mission Statement

Southeastern's mission is to market Federal hydroelectric power at the lowest possible cost to public bodies and cooperatives in the southeastern United States in a professional, innovative, customer oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvements.

## Organizational Chart Vision Statement

Southeastern Power Administration will foster a well-trained, flexible workforce in an open and rewarding workspace. Southeastern's employees will practice integrity and honesty with all partners, nurture creativity, and achieve results in a rapidly changing electric utility industry.



\*Charles Borchardt was Southeastern's Administrator in FY 2005 and FY 2006. Upon announcing his retirement effective September 2, 2006, Jon C. Worthington was selected to replace Mr. Borchardt, effective October 2, 2006.



# Financial Overview 2005

**SEPA**  
SouthEastern Power Administration

# Financial Overview Contents

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## Description

The Southeastern Federal Power Program (Power Program) consists of all activities associated with the production, transmission and disposition of Federal power marketed under Section 5 of the Flood Control Act of 1944 in 11 states. These states are: Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, and southern Illinois. The Power Program includes the accounts of two separate Federal government agencies - the Southeastern Power Administration (Southeastern), an agency of the United States Department of Energy, and the United States Army Corps of Engineers (Corps). Southeastern purchases, transmits, and markets power within four separate power systems (each including one or more Corps generating projects for which rates are set). These systems are: Georgia-Alabama-South Carolina System, Jim Woodruff System, Cumberland System, and Kerr-Philpott System.

The Corps operates 22 Federal hydroelectric generating projects in commercial service as of September 30, 2005, for which Southeastern is the power marketing agency. The Corps and Southeastern are separately managed and financed; however, the financial statements are combined under the Power Program title.

Costs of multiple purpose Corps projects are allocated to individual purposes (e.g., power, recreation, navigation, and flood control) through a cost allocation process. Specific and joint-use costs allocated to power are included in the attached statements of assets, Federal investment, and liabilities, under utility plant and cash.

The accounts of the Power Program are maintained in conformity with accounting principles generally accepted in the United States and with the Uniform

System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission. The Power Program's accounting policies also reflect requirements of specific legislation and executive directives issued by the applicable government agencies.

Southeastern and the Corps receive Congressional appropriations through the Department of Energy and the Department of Defense to finance their operations. The Corps also receives Congressional appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act of 1944, Southeastern is responsible for repayment, with interest, of its appropriations, as well as Corps construction and operation appropriations allocated to power.

## Program Performance

During FY 2005, Southeastern marketed 8.7 billion kilowatt-hours of energy to 494 wholesale customers. Southeastern's revenues totaled \$222 million, which was \$2 million less than in FY 2004.

## Financial Performance Debt Service Coverage Ratio

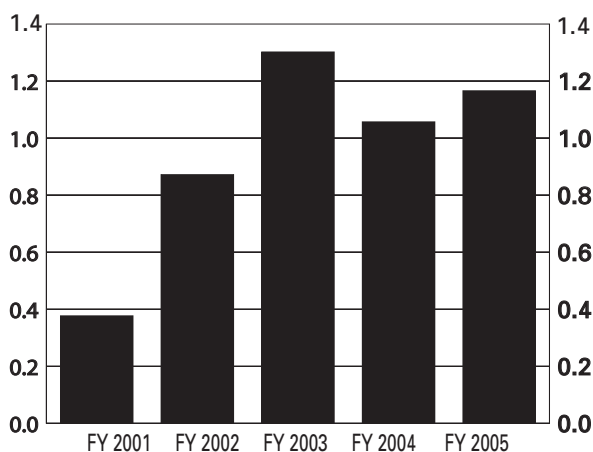
The debt service coverage ratio measures the adequacy of a utility's cash flow to cover debt service cash, both principal and interest.

Specifically, the debt service coverage ratio measures revenues in excess of operating expenses requiring cash, or cash flow from operations available to make debt service payments of principal and interest. A ratio of 1.0 would generally indicate just enough cash flow to make principal and interest payments on outstanding debt, in addition to meeting all other cash expenses. A ratio of 1.5 would indicate sufficient cash flow to pay 1.5 times the amount of debt service

actually due. Debt service coverage is an important measure of financial health, particularly for public power systems with no significant surplus or equity as a cushion. Since the revenues of a power marketing administration are applied to operating expenses and debt service requirements with typically no return built into rates, the level of debt service coverage is viewed as an important means of determining the revenue shortfalls that could be sustained before debt service payments were adversely affected. A balance exists between maintaining a sound financial condition and maintaining the lowest rates consistent with the not-for-profit orientation of power marketing agencies.

Over the last five years, Southeastern's debt service ratio has ranged from about 0.38 to 1.30. Southeastern's debt service ratio for FY 2001 to FY 2002 was below normal due to adverse water conditions. Southeastern's debt service ratio for FY 2004 was above normal due to above average water conditions. Southeastern's debt service coverage ratio for fiscal years 2001-2005 is illustrated in Figure P.

**Debt Service Coverage Ratio - Figure P**

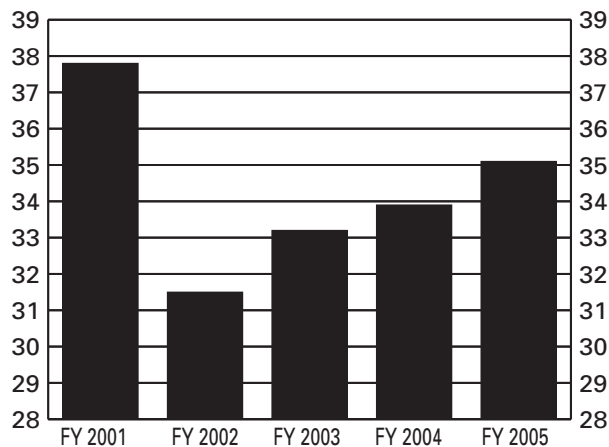


Footnote: The Corps' depreciation balances as of October 1, 2002, were adjusted to correct for a change in accounting principle that occurred in FY 1997 and FY 1998, but which was not reflected in their accounting records at that time. The adjustment was made as of October 1, 2002, for approximately \$61 million impacted FY 1999 through FY 2002; however, the amounts presented above for FY 2001 to FY 2002 do not reflect the impact of this adjustment.

## Cumulative Principal as a Percent of Total Federal Investment (Plant-in-Service)

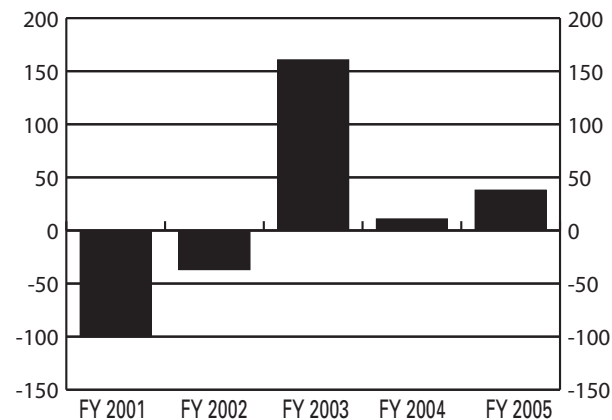
This indicator is a cumulative cash flow measure. It measures the cumulative principal payments made relative to the total Federal investment to date. During a period of capital expansion, this ratio would tend to decrease, whereas increases in cumulative payments over time would be expected for a mature system. Thus, a system with little time remaining in its repayment period would be expected to have a ratio of cumulative principal payments relative to total Federal investment that approaches 100%. This indicator provides useful information by showing the relationship between the cumulative amount of principal paid to date by Southeastern, as well as the progress made over the period studied. While analysis of this indicator does not necessarily provide conclusive information without further analysis of additional factors, such as the average age of the system, the measure nevertheless provides valuable information on the status of repayment. Over the last five years, Southeastern's principal payments as a percentage of total investment have ranged from 32% to 38%. Payments as a percent of total investment are illustrated in Figure Q.

**Cumulative Principal Payments as a Percentage of Total Investment - Figure Q**



\*Please see footnote to Figure P on page 24.

**Percent Variance of Actual From Planned Principal Payments - Figure R**



\*Please see footnote to Figure P on page 24.

## Percent Variance of Actual from Planned Principal Payment

Each of the power marketing administrations shows relatively large fluctuations between actual and planned revenues due to the high variability of water over the years analyzed. A negative number means that actual repayment is not as large as expected. A positive number means that actual repayment is larger than expected.

Southeastern's -36.9% ratio in FY 2002 was the result of below average streamflow conditions.

Southeastern's 160.7% ratio in FY 2003 was the result of above average streamflow conditions, as illustrated in Figure R.

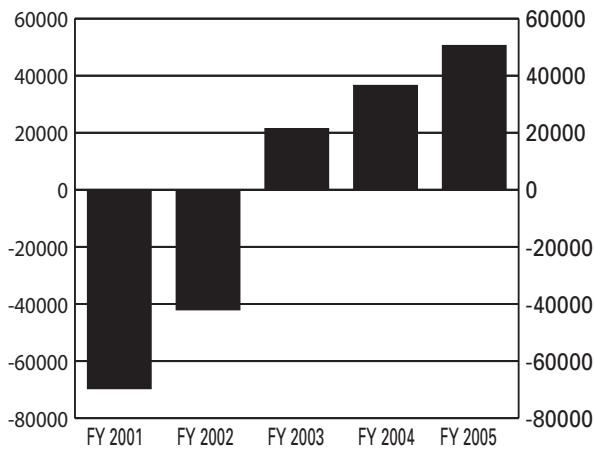
## Net Cash to the Treasury

Net cash flow to the Treasury measures the actual net cash flow, both inflows and outflows, to the U.S. Treasury, excluding revenue from the Tennessee Valley Authority. This indicator focuses on cash flows as opposed to accrual accounting results.

Because of its cash nature, this indicator is negatively influenced during years of large capital expenditures. Even in years of favorable financial performance, small or negative cash flow to the U.S. Treasury may result. In addition, the variability of water levels explains some of the fluctuation of this measure.

This indicator provides valuable financial information related to the annual effect of the power marketing administrations on the cash position of the U.S. Treasury. The measure should be used only in combination with other financial indicators to assess Southeastern's financial performance. Net cash flow to the U.S. Treasury is illustrated in Figure S.

### Net Cash Flow to the Treasury – Figure S (in thousands)



## Rate Performance

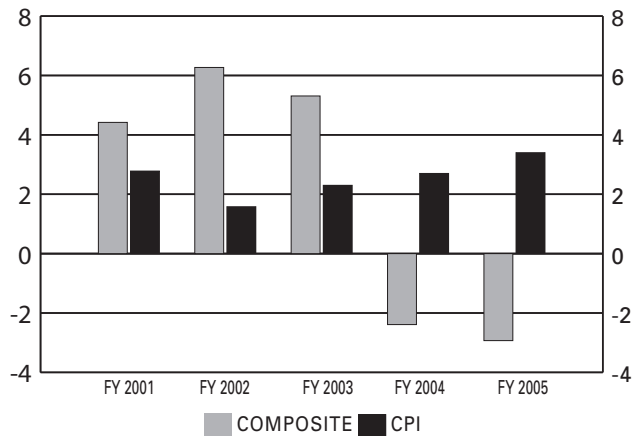
Performance indicators were prepared separately for transmission costs and generation rates. Cumulative year-to-year percentage increases in costs and rates were compared to cumulative percentage increases in the Consumer Price Index starting with 2001 as the base year.

### Transmission Performance Indicator - Composite Transmission Cost Indicator

The transmission cost indicator is a measure of the change in the capacity based on weighted average transmission rates paid by Southeastern from year to year. The FY 2001 increase was the result of an increase in energy produced at the Jim Woodruff System. The FY 2002 increase was due to an increase in the tandem transmission rates in the Kerr-Philpott System. The FY 2003 increase was the result of the Richard B. Russell pumped storage turbines becoming operational. The FY 2004 decrease was the result of

decreases in the transmission rates in the Georgia-Alabama-South Carolin and Kerr Philpott System. The FY 2005 decrease was the result of decreases in transmission rates in the Kerr-Philpott System. Composite transmission indicators are illustrated in Figure T.

### Composite Transmission Cost Indicator - Figure T

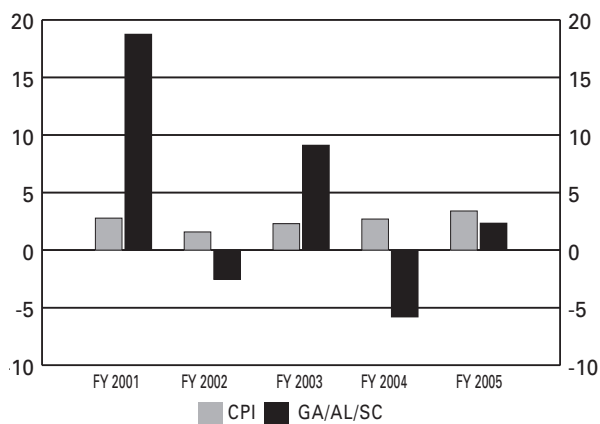


## System Transmission Cost Indicator

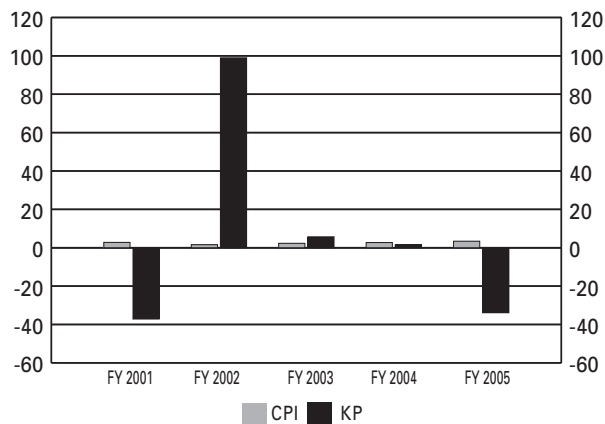
The 7% increase in the Jim Woodruff System in FY 2001 was the result of an increase in energy produced in FY 2001. The 37.2% decrease in the Kerr-Philpott System was the result of decreases in transmission rates. The 99% increase in the Kerr-Philpott System in FY 2002 was the result of the tandem transmission charge that went into effect. This charge is to pay Dominion Virginia Power and American Electric Power to transmit power to the border of neighboring utilities. The FY 2003 3.45% decrease in the Cumberland System was the result of decreases in the transmission rate. The FY 2004 5.8% decrease in the Georgia-Alabama-South Carolina was the result of

reductions in transmission rates. The FY 2005 33.9% decrease in the Kerr-Philpott System was the result of a decrease in transmission rates. System transmission indicators are illustrated in Figures U, V, W, and X.

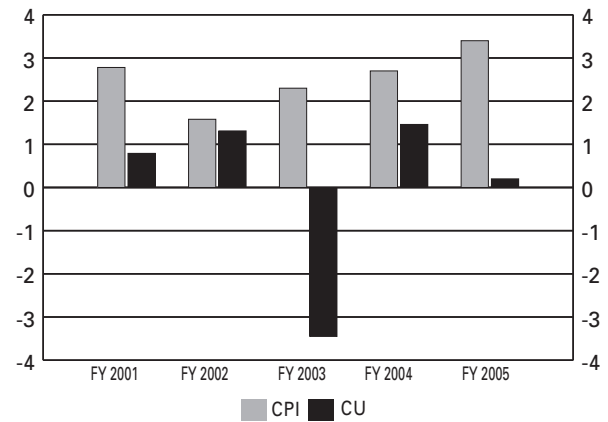
**Georgia/Alabama/South Carolina Transmission Cost Indicator - Figure U**



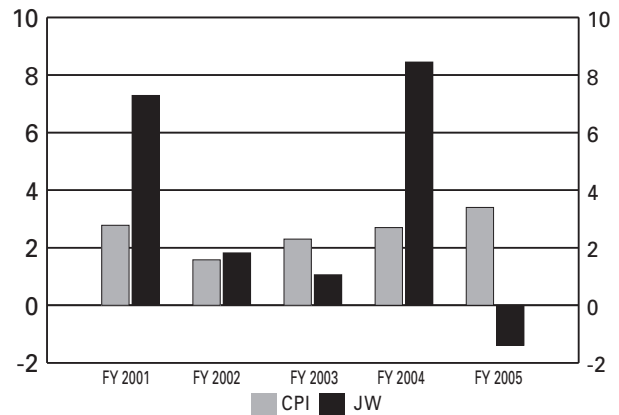
**Kerr/Philpott Transmission Cost Indicator - Figure V**



**Cumberland Transmission Cost Indicator - Figure W**



**Jim Woodruff Transmission Cost Indicator - Figure X**

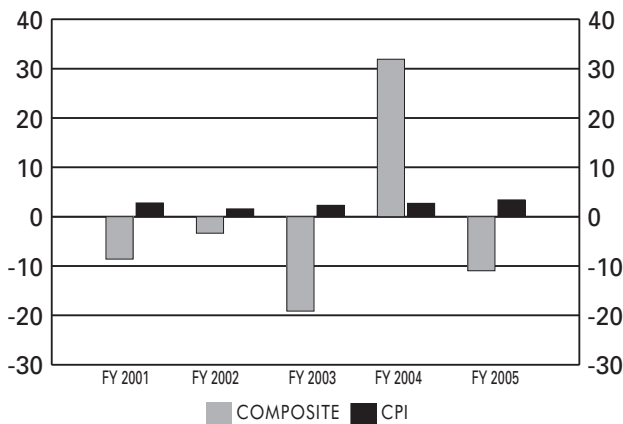


## Generation Performance Indicator - Composite Generation Rate Indicator

The composite generation indicator is a measure of the annual change in the average costs of energy charged by Southeastern from year to year.

The FY 2001 decrease was the result of a decrease in transmission rates and an increase in energy produced. The FY 2002 decrease was a result of an increase in energy produced. The -19.14% decrease in FY 2003 was the result of above normal water conditions. The FY 2004 increase was the result of rate increases in the Georgia-Alabama-South Carolina and Cumberland Systems. The FY 2005 decrease was the result of decreases in transmission rates in the Kerr-Philpott System and in an increase in energy produced in the Georgia-Alabama-South Carolina System. Composite generation rate indicator is illustrated in Figure Y.

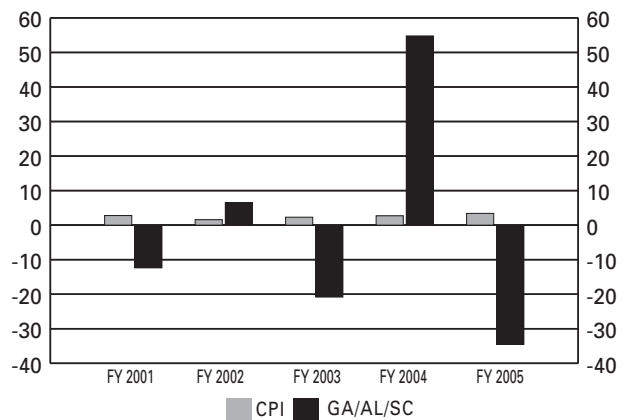
**Composite Generation Cost Indicator - Figure Y**



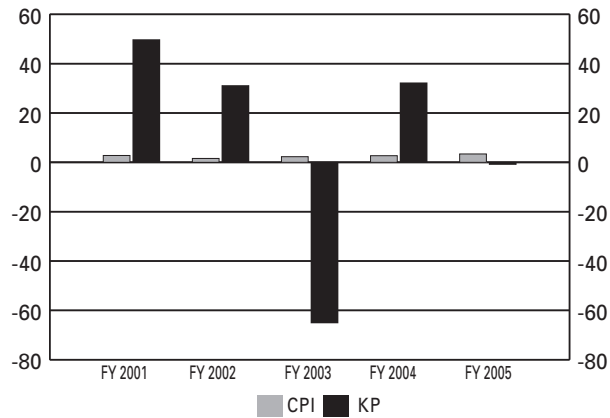
## System Generation Rate Indicator

The FY 2001 increase in the Jim Woodruff and Kerr-Philpott Systems was due to below average streamflow conditions. The FY 2002 increase in the Kerr-Philpott System was the result of below average streamflow conditions. The FY 2002 decrease in the Jim Woodruff System was the result of an increase in energy produced. The FY 2003 decrease in the Georgia-Alabama-South Carolina, Kerr-Philpott, and Cumberland Systems was the result of above normal streamflow conditions. The FY 2004 increase in the Georgia-Alabama-South Carolina System was a result of an 11% increase in rates. The FY 2004 increase in the Cumberland System was a result of 15% increase in rates. The FY 2005 decrease in the Georgia-Alabama-South Carolina System was the result of an increase in energy produced. The FY 2005 increase in the Jim Woodruff System was the result of a 22% increase in rates. System generation rate indicators are illustrated in Figures Z, AA, BB, and CC.

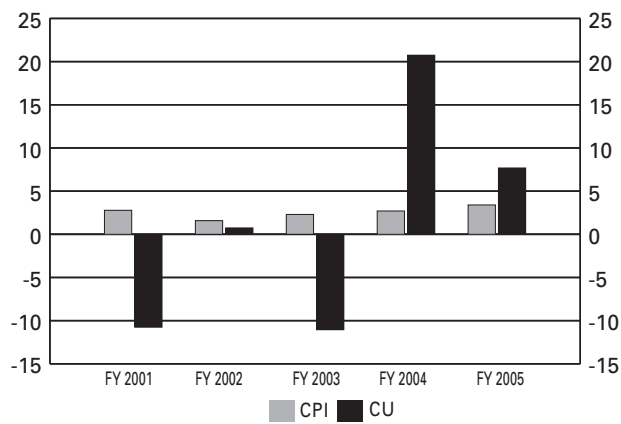
**Georgia/Alabama/South Carolina Generation Cost Indicator - Figure Z**



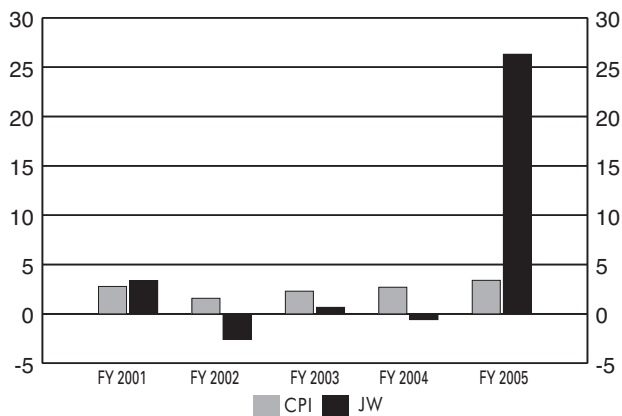
**Kerr/Philpott Generation Cost Indicator - Figure AA**

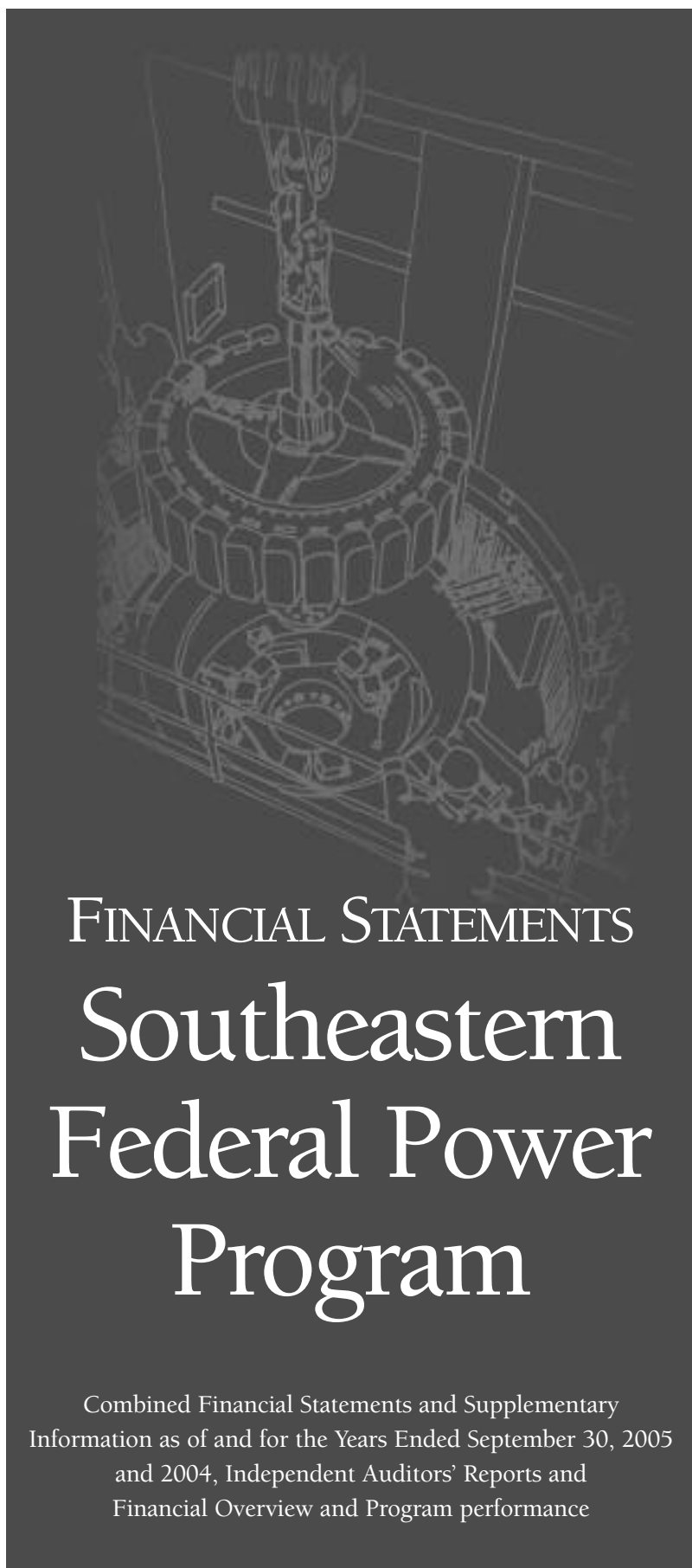


**Cumberland Generation Cost Indicator - Figure BB**



**Jim Woodruff Generation Cost Indicator - Figure CC**





FINANCIAL STATEMENTS  
**Southeastern  
Federal Power  
Program**

Combined Financial Statements and Supplementary  
Information as of and for the Years Ended September 30, 2005  
and 2004, Independent Auditors' Reports and  
Financial Overview and Program performance



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## INDEPENDENT AUDITORS' REPORT

To the Administrator of  
Southeastern Power Administration  
United States Department of Energy:

We have audited the accompanying combined statements of assets, federal investment, and liabilities of the Southeastern Federal Power Program as of September 30, 2005 and 2004, and the related combined statements of revenues, expenses, and accumulated net revenues and of cash flows for the years then ended. These combined financial statements are the responsibility of Southeastern Federal Power Program's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget ("OMB") Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, as applicable to this entity. Those standards and OMB Bulletin No. 06-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Southeastern Federal Power Program's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Southeastern Federal Power Program as of September 30, 2005 and 2004, and the results of its operations and changes in accumulated net revenues and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The information presented in management's financial overview and program performance on pages 25 through 32 is not a required part of the basic combined financial statements. This information is the responsibility of Southeastern Federal Power Program's management. We did not audit or apply limited procedures to such information, and accordingly, we do not express any assurance on such information.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements, referred to in the first paragraph of this report, taken as a whole. The accompanying information contained in Exhibits I through VI is presented for purposes of additional analysis and is not a required part of the combined financial statements. This information is the responsibility of Southeastern Federal Power Program's management. The information contained in Exhibits I through V has been subjected to the auditing procedures applied in our audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole. The information contained in Exhibit VI has not been subjected to the auditing procedures applied in our audits of the combined financial statements, and accordingly, we express no opinion on it.

*Deloitte + Touche LLP*

January 16, 2007

# SOUTHEASTERN FEDERAL POWER PROGRAM

## COMBINED STATEMENTS OF ASSETS, FEDERAL INVESTMENT, AND LIABILITIES

AS OF SEPTEMBER 30, 2005 AND 2004

(In thousands)

	2005	2004
<b>ASSETS</b>		
UTILITY PLANT (Notes 2 and 6):		
Plant in service	\$ 2,109,996	\$ 2,040,821
Less accumulated depreciation	(706,077)	(661,444)
Plant in service—net	1,403,919	1,379,377
Construction work in progress	65,395	87,031
Net utility plant	1,469,314	1,466,408
CURRENT ASSETS:		
Cash/unexpended appropriations (Note 2)	30,056	26,074
Accounts receivable	16,276	18,232
Other	5,090	5,064
Total current assets	51,422	49,370
DEFERRED WORKERS' COMPENSATION (Note 5)	11,929	12,276
<b>TOTAL ASSETS</b>	<b>\$ 1,532,665</b>	<b>\$ 1,528,054</b>
<b>FEDERAL INVESTMENT AND LIABILITIES</b>		
FEDERAL INVESTMENT (Note 3):		
Congressional appropriations (Note 2)	\$ 3,645,426	\$ 3,523,276
U.S. Treasury transfers to continuing fund	37,645	37,645
Transfers from other federal agencies	50,511	44,341
Accumulated interest on federal investment (Notes 3 and 6)	1,573,579	1,506,736
Funds returned to U.S. Treasury (Note 2)	(3,835,744)	(3,646,241)
Investment of U.S. government	1,471,417	1,465,757
Accumulated net revenues	33,952	30,596
Total federal investment	1,505,369	1,496,353
CURRENT LIABILITIES:		
Accounts payable	15,018	19,099
Accrued liabilities	349	326
Total current liabilities	15,367	19,425
ACCRUED WORKERS' COMPENSATION (Note 5)	11,929	12,276
COMMITMENTS AND CONTINGENCIES (Note 6)		
<b>TOTAL FEDERAL INVESTMENT AND LIABILITIES (Notes 2, 3, 5, and 6)</b>	<b>\$ 1,532,665</b>	<b>\$ 1,528,054</b>

See notes to combined financial statements.

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINED STATEMENTS OF REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)

	2005	2004
OPERATING REVENUES:		
Sales of electric power (Notes 2 and 4)	\$ 220,116	\$ 217,196
Other operating income	<u>2,178</u>	<u>6,943</u>
Total operating revenues	<u>222,294</u>	<u>224,139</u>
OPERATING EXPENSES:		
Operations	40,392	41,886
Maintenance	27,606	26,675
Transmission services charged by others	30,738	31,835
Purchased power	5,033	13,340
Pension and related expenses	<u>4,165</u>	<u>3,839</u>
Total operating expenses—excluding depreciation	107,934	117,575
Depreciation (Note 2)	<u>47,320</u>	<u>42,657</u>
Total operating expenses	<u>155,254</u>	<u>160,232</u>
Net operating revenues	<u>67,040</u>	<u>63,907</u>
INTEREST EXPENSE:		
Interest on federal investment (Note 3)	66,842	66,745
Less interest charged to construction (Note 2)	<u>(3,158)</u>	<u>(5,478)</u>
Net interest expense	<u>63,684</u>	<u>61,267</u>
NET REVENUES	3,356	2,640
ACCUMULATED NET REVENUES (Note 2):		
Balance—beginning of year	<u>30,596</u>	<u>27,956</u>
Balance—end of year	<u>\$ 33,952</u>	<u>\$ 30,596</u>

See notes to combined financial statements.

# SOUTHEASTERN FEDERAL POWER PROGRAM

## COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net revenues	\$ 3,356	\$ 2,640
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation	47,320	42,657
Net interest on federal investment	63,684	61,267
(Increase) decrease in assets:		
Accounts receivable	1,956	(3,579)
Other assets	(26)	89
Deferred workers' compensation	347	(2,914)
(Decrease) increase in liabilities:		
Accounts payable	(4,081)	2,250
Accrued liabilities	23	5
Accrued workers' compensation	(347)	2,914
Net cash provided by operating activities	<u>112,232</u>	<u>105,329</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES—Cash used in investing activities—investment in utility plant</b>	<u>(47,067)</u>	<u>(44,685)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	122,150	109,379
Transfers from other federal agencies	6,170	2,702
Funds returned to U.S. Treasury	(189,503)	(172,674)
Net cash used in financing activities	<u>(61,183)</u>	<u>(60,593)</u>
<b>NET INCREASE IN CASH</b>	<b>3,982</b>	<b>51</b>
<b>CASH—Beginning of year</b>	<u><b>26,074</b></u>	<u><b>26,023</b></u>
<b>CASH—End of year</b>	<u><b>\$ 30,056</b></u>	<u><b>\$ 26,074</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES—Interest charged to construction</b>	<u><b>\$ 3,158</b></u>	<u><b>\$ 5,478</b></u>

See notes to combined financial statements.

# SOUTHEASTERN FEDERAL POWER PROGRAM

## NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)

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### 1. ORGANIZATION AND BASIS OF PRESENTATION

The Southeastern Federal Power Program (the “Program”) consists of all activities associated with the production, transmission, and disposition of all federal power marketed under Section 5 of the Flood Control Act of 1944 (the “Flood Control Act”) in the 10 states of Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky. The accompanying combined financial statements of the Program include the accounts of two separate federal government agencies—the Southeastern Power Administration (“Southeastern”), a unit of the United States Department of Energy (“DOE”), and the accounts of the Southeastern marketed hydroelectric generating plants and power operations of the United States Army Corps of Engineers (the “Corps of Engineers” or the “Corps”), a unit of the United States Department of Defense (“DOD”). Southeastern and the Corps are separately managed and financed, and each maintains its own accounting records. For purposes of financial and operational reporting, the facilities and related operations of Southeastern and the Corps are combined as the Program.

Southeastern purchases, transmits, and markets power within four separate power systems: Georgia-Alabama-South Carolina, Jim Woodruff, Cumberland Basin, and Kerr-Philpott. As of September 30, 2005, the four power systems include 22 hydroelectric generating projects owned and operated by the Corps of Engineers. The projects serve multiple purposes, including power, recreation, navigation, and flood control. However, these combined financial statements include only those expenses and net assets that are expected to be recovered through sales of power and other related income.

Costs of multipurpose Corps projects are allocated to power and nonpower purposes. The portion of total project costs allocated to power is included in the accompanying combined statements of assets, federal investment, and liabilities as utility plant and federal investment. An amount covering Corps employees’ salaries, pensions, and other benefits allocated to power is included in operations and maintenance expenses.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**General**—The accompanying combined financial statements are prepared in accordance with accounting principles and standards prescribed by the DOE, including the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission (“FERC”). These practices integrate accounting principles generally accepted in the United States of America as established by the Financial Accounting Standards Board and Federal Accounting Standards Advisory Board, with the accounting principles and standards prescribed by the Office of Management and Budget, except where deviations therefrom are specifically authorized by federal statute or allowed by federal regulation. The Program’s combined financial statements are presented in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 71, *Accounting for the Effects of Certain Types of Regulation*. The provisions of SFAS No. 71 require, among other things, that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate.

These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise.

***Congressional Appropriations/Financing***—Southeastern and the Corps of Engineers receive congressional appropriations through the DOE and the DOD, respectively, to finance their operations. The Corps also receives appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act, Southeastern is responsible for repayment to the federal government, with interest, of its appropriations and the portion of Corps appropriations allocated for construction and operation of the power projects.

Congressional appropriations received by the Corps are authorized and allocated to individual projects. It is the intent of the Corps' project management to distribute congressional appropriations in amounts approximating estimated current-year expenses and to adjust the distribution as necessary within the limits of the Corps' transfer authority. Project costs which are not specific to a project purpose are distributed between power and nonpower purposes based on project cost allocation.

***Operating Revenues***—Operating revenues are recorded on an accrual basis as services are rendered. Rates are established under the requirements of the Flood Control Act, related legislation and executive departmental directives, and are intended to provide sufficient revenues to meet all required payments for Program costs. Such Program costs include operation and maintenance expenses less depreciation, wheeling fees to connecting utilities for transmission of power to customers, and payment to the U.S. Treasury for the federal investment in utility plant and interest thereon. The rates are also required to be low enough to encourage widespread use of electricity at the lowest possible cost to preference customers, primarily public bodies and cooperatives, consistent with sound business principles.

The rates required under present DOE policy make provision for recovery of the federal investment in generating facilities within the service lives of the assets, not to exceed 50 years from the date placed in service. Operation and maintenance costs and interest on federal investment are intended to be recovered annually. As discussed below, assets are being depreciated on the straight-line method over their estimated service lives, which currently average approximately 45 years for generating plant components. The Program matches these costs and revenues, as well as any other differences between estimated and actual costs by deferring the unmatched portion of the revenues as accumulated net revenues. Because the Program is a nonprofit federal power marketing agency, accumulated net revenues are committed to repayment of the federal investment.

Cash received is directly deposited with the U.S. Treasury and is reflected as "funds returned to U.S. Treasury" in the accompanying combined statements of assets, federal investment, and liabilities.

***Confirmation and Approval of Rates***—Southeastern has established rate schedules for each of the four power systems. These rates generally may be adjusted at five-year intervals under the terms of Southeastern's current power sales contracts and DOE Order RA 6120.2.

The Secretary of Energy (the "Secretary") has delegated authority to the Administrator of Southeastern to develop power and transmission rates for the power projects. The Deputy Secretary has the authority to confirm, approve, and place such rates in effect on an interim basis.

The Secretary has delegated to FERC the authority to confirm, approve, and place such rates in effect on a final basis and to remand or to disapprove such rates. Refunds with interest, as determined by FERC, are authorized if final approved rates are lower than rates approved on an interim basis. However, if at any time FERC determines that the administrative cost of a refund would exceed the amount to be refunded, no refunds will be required. No significant refunds are anticipated in connection with rates approved on an interim basis as of September 30, 2005.

**Cash/Unexpended Appropriations**—Cash consists of the unexpended balance of funds appropriated by Congress for the Program-related activities of Southeastern and the Corps of Engineers, and are maintained by the U.S. Treasury. For purposes of the statements of cash flows, unexpended appropriations are considered to be cash.

**Utility Plant**—Plant in service and construction work in progress consist principally of generating facilities and is stated at cost, excluding contributions in aid of construction by entities outside the Program. Cost includes direct labor and materials, payments to contractors, indirect charges for engineering, supervision, and similar overhead items, and interest on federal funds used during construction. The costs of additions, replacements, and betterments are capitalized, while repairs and minor replacement costs are charged to operation and maintenance expenses. The cost of utility plant retired, together with removal costs less salvage, is charged to accumulated depreciation when the property is removed from service. Gains and losses are recognized only on sales of significant identifiable assets.

Construction appropriations for power generating facilities have been authorized by Congress through fiscal year 2006. Delays or cancellations of these projects could result from congressional suspension or termination of appropriations.

**Interest Charged to Construction**—Interest on federal funds used during utility plant construction is included in the cost of completed projects.

**Depreciation**—Pursuant to executive directives of the Corps of Engineers, depreciation of utility plant is computed based on the estimated service lives of the various classes of property using the straight-line method. Service lives currently average approximately 45 years for utility plant components. Depreciation expense amounted to 2.2% and 2.1% of the original cost of generating plant in service during each of the years ended September 30, 2005 and 2004, respectively. During 2004 and 2005, the Department of Defense Inspector General (“DoDIG”) issued various information papers on certain issues related to the accounting for buildings and other structures by the Corps, which includes, among other things, proposed a reduction in the useful lives of certain assets for purposes of computing depreciation expense. The DoDIG has stated that any change in useful lives should be accounted for prospectively, starting in 2005. In 2005, the Program calculated and recorded adjustments to reduce the useful lives of certain buildings and other structure assets in compliance with these DoDIG information papers, and the total adjustment resulted in an increase of approximately \$7,500 to 2005 depreciation expense. Furthermore, an additional \$5,000 of depreciation expense was recorded in 2005 to correct various errors in individual fixed asset accumulated depreciation balances. Management does not consider these adjustments to be material, qualitatively or quantitatively, to 2005 or any prior periods and as a result these errors were corrected in the 2005 financial statements.

During 2004, a net adjustment was made to increase depreciation expense, accumulated depreciation and total operating expenses and reduce net operating revenues and net revenues by \$12,100. This net adjustment represents the correction of certain prior-year clerical errors that were made in the calculation of various depreciation adjustments in 2002 and 2003. Management does not believe these

net adjustments in 2004 are material, qualitatively or quantitatively, to 2004 or any prior periods, and as a result all such errors were corrected in the 2004 financial statements.

**Retirement Benefits**—Substantially all employees engaged in Program activities participate in either the Civil Service Retirement System (“CSRS”) or the Federal Employees’ Retirement System (“FERS”). Both are contributory defined benefit pension plans and are not covered under the Employee Retirement Income Security Act of 1974. Pension benefit expense under CSRS is equivalent to 7.0% of eligible employee compensation and under FERS is 10.7% with options available to be chosen by the participant. Contributions to these plans are submitted to benefit program trust funds administered by the Office of Personnel Management (the “OPM”). The contribution levels as legislatively mandated do not reflect the total current cost/full cost requirements to fund the pension plans. Additional sources of funding include direct appropriations to the OPM, not Southeastern or the Corps. Other retirement benefits administered by the OPM include the Federal Employees Health Benefits Program and the Federal Employee Group Life Insurance Program.

Statement of Federal Financial Accounting Standards (“SFFAS”) No. 5, *Accounting for Liabilities of the Federal Government*, requires the federal employer entity to recognize pension expense and other retirement benefit expense in its financial report equal to the service cost for its employees for the accounting period, less the amount contributed by the employees, if any. In accordance with SFFAS No. 5, Southeastern has recorded \$351 and \$337 of annual pension and retirement benefits expense for the years ended September 30, 2005 and 2004, respectively. The Corps has recorded \$3,456 and \$3,098 of annual pension and retirement benefits expense for 2005 and 2004, respectively.

**Use of Estimates**—The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of Southeastern and the Corps to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Transmission Rights**—On May 1, 2005, when Dominion Virginia Power became a member of PJM Interconnection (“PJM”), a regional transmission organization that coordinates the movement of electricity through all or parts of certain Midwest States, Southeastern was allocated, at no cost to Southeastern, certain Financial Transmission Rights (“FTR’s”) for new power loads being integrated into PJM. A FTR is a financially settled product that is being offered in certain electricity markets (including PJM). A FTR entitles the holder to receive compensation (or to pay) for transmission congestion charges that arise when the transmission grid is congested in the day-ahead market and differences in day-ahead Locational Marginal Prices result from the dispatch of generators out-of-merit order to relieve the congestion.

In general these allocated FTR’s have a 12-month duration, and during fiscal 2005, Southeastern recorded a net refund (compensation) related to these FTR’s of \$307, which was recorded as an offset to 2005 transmission services charged by others in the accompanying statement of revenues, expenses, and accumulated net revenues. These refunds were then passed onto the appropriate Southeastern customers during the month in which they were received, and were reflected as a decrease to 2005 sales of electric power in the accompanying statement of revenues, expenses, and accumulated net revenues.

Since (i) there is no observable market for the duration of the remaining lives of these FTR’s, (ii) currently management has no intention of selling the FTR’s, and (iii) the FTR’s were allocated to Southeastern at no cost; no derivative asset has been recognized in the accompanying 2005 statement of assets, federal investment, and liabilities.

### **3. FEDERAL INVESTMENT**

The federal investment in each of the generating projects is to be repaid to the U.S. Treasury within the service lives of the assets, not to exceed 50 years from the time the facility is placed in service. There is no requirement for repayment of a specific amount on an annual basis.

Southeastern follows the provisions of DOE Order RA 6120.2 in setting priorities for repayment. Order RA 6120.2 requires that annual revenues be first applied to current-year operating expenses, excluding depreciation, and interest expense on federal investment, net of interest charged to construction and interest credited on operating revenues deposited with the U.S. Treasury. All annual amounts for such expenses have been paid through fiscal year 2005, except for \$3,080 at the Jim Woodruff project power system. Remaining revenues are to be first applied to repayment of operating deficits (which include all expenses except depreciation), if any, and then to repayment of the federal investment. Annual net revenues available for repayment are generally applied first against investments in projects bearing the highest interest rates. To the extent that funds are not available for payment of such operating expenses and interest, such amounts become payable from the subsequent year's revenue prior to any repayment of the federal investment.

Interest is accrued annually on the unpaid balance of the federal investment. Such interest is reflected as an expense in the accompanying statements of revenues, expenses, and accumulated net revenues, with a corresponding increase in federal investment in the accompanying statements of assets, federal investment, and liabilities. Interest rates applied to the net outstanding federal investment range from 2.5% to 6.25%. The average rate was approximately 4.6% in fiscal 2005 and 4.5% in fiscal 2004. The rates have been set either by law, by administrative order pursuant to law, or by administrative policies and have not necessarily been established to recover the interest costs to the U.S. Treasury to finance the investment.

### **4. MAJOR CUSTOMERS**

Revenues from one customer were approximately \$31,214 and \$32,598 which represents 14% and 15% of the total operating revenues for the years ended September 30, 2005 and 2004, respectively. There was \$285 and \$576 in accounts receivable from this customer as of September 30, 2005 and 2004, respectively.

### **5. WORKERS' COMPENSATION**

Workers' compensation consists of two elements: (i) the actuarial liability associated with workers' compensation cases incurred for which additional claims may still be made in the future ("future claims") and (ii) a liability for expenses associated with actual claims incurred and paid by the U.S. Department of Labor ("DOL"), the program administrator, to whom Southeastern must reimburse. In conjunction with the adoption of SFFAS No. 4, *Management Cost Accounting Concepts and Standards for the Federal Government*, and SFFAS No. 5, the DOL, the DOE, and the DOD determined the Program's actuarial liability associated with workers' compensation cases. The actuarial liability for future claims was determined using historical benefit payment patterns and U.S. Treasury discount rates.

The recovery of these future claims will be deferred for purposes of the rate-making process until such time the future claims are actually submitted and paid by the DOL. Therefore, the recognition of the expense associated with this actuarially determined liability has been recorded as deferred workers' compensation in the combined power system statements of assets, federal investment, and liabilities in accordance with SFAS No. 71 to reflect the effects of the rate-making process. The Program's

cumulative unpaid expenses associated with estimated future claims are approximately \$11,929 and \$12,276 as of September 30, 2005 and 2004, respectively.

## 6. COMMITMENTS AND CONTINGENCIES

Southeastern and the Corps of Engineers are presently parties to certain claims and legal actions arising in the ordinary course of Program activities. However, in the opinion of management, such claims and actions will not have a material adverse impact on the Program's financial position, results of operations, or cash flows.

The suit filed by the South Carolina Department of Wildlife and Marine Resources and other parties against the Secretary of the Army, in connection with the operation of the four reversible pump turbines at the Richard B. Russell Dam, was resolved in favor of the Secretary of the Army during the fiscal year ended September 30, 2002. As a result of updated estimates, it was determined in 2002 that the original power purpose allocation percentage of 99.4% for joint construction costs for the Richard B. Russell Dam project should be reduced to approximately 72.1%, and the Program's 2002 combined financial statements were adjusted accordingly. Program management continues to believe that once the final allocation percentage is determined and approved, it is probable that the Richard B. Russell power purpose allocation for joint construction costs will be approximately 72.1%. As a result, certain balances including congressional appropriations, accumulated interest on federal investment, joint operating and maintenance costs, depreciation, interest expense, and interest on federal investment are subject to revision pending completion of the final authorized joint cost allocation for the Richard B. Russell Dam project.

As of September 30, 2005, total costs for the Richard B. Russell Dam Project were \$1,106,000, of which \$679,000 was tentatively allocated to power and subject to adjustment.

Southeastern has entered into various agreements for power and transmission purchases that vary in length but generally do not exceed 7 years. Southeastern's long-term commitments for these power and transmission contracts, subject to the availability of federal funds and contingent upon annual appropriations from Congress, based on budgeted amounts, are as follows:

<b>Years Ending September 30</b>	<b>Purchased Power</b>	<b>Purchased Transmission</b>	<b>Total</b>
2005	\$ 800	\$ 36,200	\$ 37,000
2006	800	35,198	35,998
2007	800	35,108	35,908
2008	900	35,845	36,745
2009	919	36,598	37,517

In addition to these contracts, Southeastern maintains other long-term contracts which provide the ability to purchase unspecified quantities of transmission services within a contractually determined range and rate. To fulfill its contractual obligations to deliver power, Southeastern has historically had to purchase a certain level of transmission services under these arrangements. Southeastern fully intends to provide ongoing services to power customers and anticipates it will be necessary to acquire resources under these contracts.

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## **SUPPLEMENTARY INFORMATION**

# **SOUTHEASTERN FEDERAL POWER PROGRAM GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM**

## **SUPPLEMENTAL ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION AS OF SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	2005	2004
<b>ASSETS</b>		
UTILITY PLANT:		
Plant in service	\$ 1,556,358	\$ 1,496,221
Less accumulated depreciation	(421,476)	(384,699)
Plant in service—net	1,134,882	1,111,522
Construction work in progress	45,918	65,872
Net utility plant	1,180,800	1,177,394
CURRENT ASSETS:		
Cash/unexpended appropriations	10,561	14,708
Accounts receivable	12,431	13,334
Other	4,902	4,902
Total current assets	27,894	32,944
DEFERRED WORKERS' COMPENSATION	3,043	3,562
<b>TOTAL ASSETS</b>	<b>\$ 1,211,737</b>	<b>\$ 1,213,900</b>
<b>FEDERAL INVESTMENT AND LIABILITIES</b>		
FEDERAL INVESTMENT:		
Congressional appropriations	\$ 2,368,129	\$ 2,288,910
U.S. Treasury transfers to continuing fund	30,289	30,289
Transfers from other federal agencies	28,897	22,001
Accumulated interest on federal investment	1,203,450	1,143,189
Funds returned to U.S. Treasury	(2,351,394)	(2,216,125)
Investment of U.S. government	1,279,371	1,268,264
Accumulated net deficit	(80,647)	(71,841)
Total federal investment	1,198,724	1,196,423
CURRENT LIABILITIES:		
Accounts payable	9,747	13,707
Accrued liabilities	223	208
Total current liabilities	9,970	13,915
ACCRUED WORKERS' COMPENSATION	3,043	3,562
<b>TOTAL FEDERAL INVESTMENT AND LIABILITIES</b>	<b>\$ 1,211,737</b>	<b>\$ 1,213,900</b>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM**

## **SUPPLEMENTAL REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>OPERATING REVENUES:</b>		
Sales of electric power	\$ 147,482	\$ 142,730
Other operating income	<u>1,060</u>	<u>6,058</u>
Total operating revenues	<u>148,542</u>	<u>148,788</u>
<b>OPERATING EXPENSES:</b>		
Operations	23,487	23,485
Maintenance	13,158	13,337
Transmission services charged by others	18,050	17,638
Purchased power	4,190	12,846
Pension and related expenses	<u>1,958</u>	<u>1,851</u>
Total operating expenses—excluding depreciation	60,843	69,157
Depreciation	<u>38,273</u>	<u>32,735</u>
Total operating expenses	<u>99,116</u>	<u>101,892</u>
Net operating revenues	<u>49,426</u>	<u>46,896</u>
<b>INTEREST EXPENSE:</b>		
Interest on federal investment	60,261	60,235
Less interest charged to construction	<u>(2,029)</u>	<u>(4,547)</u>
Net interest expense	<u>58,232</u>	<u>55,688</u>
<b>NET DEFICIT</b>	<b>(8,806)</b>	<b>(8,792)</b>
<b>ACCUMULATED NET DEFICIT:</b>		
Balance—beginning of year	<u>(71,841)</u>	<u>(63,049)</u>
Balance—end of year	<u>\$ (80,647)</u>	<u>\$ (71,841)</u>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM**

## **SUPPLEMENTAL CASH FLOWS INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net deficit	\$ (8,806)	\$ (8,792)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Depreciation	38,273	32,735
Net interest on federal investment	58,232	55,688
(Increase) decrease in assets:		
Accounts receivable	903	(2,531)
Other assets	-	97
Deferred workers' compensation	519	103
(Decrease) increase in liabilities:		
Accounts payable	(3,960)	368
Accrued liabilities	15	9
Accrued workers' compensation	(519)	(103)
Net cash provided by operating activities	<u>84,657</u>	<u>77,574</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES—Cash used in investing activities—investment in utility plant</b>	<u>(39,650)</u>	<u>(32,452)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	79,219	71,522
Transfers from other federal agencies	6,896	(1,935)
Funds returned to U.S. Treasury	(135,269)	(116,678)
Net cash used in financing activities	<u>(49,154)</u>	<u>(47,091)</u>
<b>NET DECREASE IN CASH</b>	<b>(4,147)</b>	<b>(1,969)</b>
<b>CASH—Beginning of year</b>	<u><b>14,708</b></u>	<u><b>16,677</b></u>
<b>CASH—End of year</b>	<u><b>\$ 10,561</b></u>	<u><b>\$ 14,708</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES—Interest charged to construction</b>	<u><b>\$ 2,029</b></u>	<u><b>\$ 4,547</b></u>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM JIM WOODRUFF SYSTEM**

## **SUPPLEMENTAL ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION AS OF SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
UTILITY PLANT:		
Plant in service	\$ 61,987	\$ 59,719
Less accumulated depreciation	(16,194)	(14,778)
Plant in service—net	45,793	44,941
Construction work in progress	2,105	2,968
Net utility plant	47,898	47,909
CURRENT ASSETS:		
Cash/unexpended appropriations	1,589	1,218
Accounts receivable	1,190	612
Other	87	87
Total current assets	2,866	1,917
DEFERRED WORKERS' COMPENSATION	1,375	1,492
<b>TOTAL ASSETS</b>	<b>\$ 52,139</b>	<b>\$ 51,318</b>
<b>FEDERAL INVESTMENT AND LIABILITIES</b>		
FEDERAL INVESTMENT:		
Congressional appropriations	\$ 137,540	\$ 133,226
U.S. Treasury transfers to continuing fund	2,920	2,920
Transfers from other federal agencies	3,040	2,783
Accumulated interest on federal investment	30,732	28,481
Funds returned to U.S. Treasury	(131,229)	(124,771)
Investment of U.S. government	43,003	42,639
Accumulated net revenues	6,235	6,120
Total federal investment	49,238	48,759
CURRENT LIABILITIES:		
Accounts payable	1,519	1,060
Accrued liabilities	7	7
Total current liabilities	1,526	1,067
ACCRUED WORKERS' COMPENSATION	1,375	1,492
<b>TOTAL FEDERAL INVESTMENT AND LIABILITIES</b>	<b>\$ 52,139</b>	<b>\$ 51,318</b>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM JIM WOODRUFF SYSTEM**

## **SUPPLEMENTAL REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>OPERATING REVENUES:</b>		
Sales of electric power	\$ 8,285	\$ 6,373
Other operating income	<u>(124)</u>	<u>368</u>
Total operating revenues	<u>8,161</u>	<u>6,741</u>
<b>OPERATING EXPENSES:</b>		
Operations	1,497	1,419
Maintenance	1,570	1,109
Transmission services charged by others	282	286
Purchased power	949	495
Pension and related expenses	<u>158</u>	<u>155</u>
Total operating expenses—excluding depreciation	4,456	3,464
Depreciation	<u>1,448</u>	<u>1,056</u>
Total operating expenses	<u>5,904</u>	<u>4,520</u>
Net operating revenues	<u>2,257</u>	<u>2,221</u>
<b>INTEREST EXPENSE:</b>		
Interest on federal investment	2,251	2,209
Less interest charged to construction	<u>(109)</u>	<u>(89)</u>
Net interest expense	<u>2,142</u>	<u>2,120</u>
<b>NET REVENUES</b>	<b>115</b>	<b>101</b>
<b>ACCUMULATED NET REVENUES:</b>		
Balance—beginning of year	<u>6,120</u>	<u>6,019</u>
Balance—end of year	<u>\$ 6,235</u>	<u>\$ 6,120</u>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM JIM WOODRUFF SYSTEM**

## **SUPPLEMENTAL CASH FLOWS INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net revenues	\$ 115	\$ 101
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation	1,448	1,056
Net interest on federal investment	2,142	2,120
(Increase) decrease in assets:		
Accounts receivable	(578)	1
Deferred workers' compensation	117	(1,136)
(Decrease) increase in liabilities:		
Accounts payable	459	259
Accrued workers' compensation	(117)	1,136
Net cash provided by operating activities	<u>3,586</u>	<u>3,537</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES—Cash used in investing activities—investment in utility plant</b>	<u>(1,328)</u>	<u>(2,296)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	4,314	5,160
U.S. Treasury transfers to continuing fund	-	(1)
Transfers from other federal agencies	257	(14)
Funds returned to U.S. Treasury	(6,458)	(5,604)
Net cash used in financing activities	<u>(1,887)</u>	<u>(459)</u>
<b>NET INCREASE IN CASH</b>	<b>371</b>	<b>782</b>
<b>CASH—Beginning of year</b>	<u><b>1,218</b></u>	<u><b>436</b></u>
<b>CASH—End of year</b>	<u><b>\$ 1,589</b></u>	<u><b>\$ 1,218</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES—Interest charged to construction</b>	<u><b>\$ 109</b></u>	<u><b>\$ 89</b></u>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM CUMBERLAND BASIN SYSTEM**

## **SUPPLEMENTAL ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION AS OF SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	2005	2004
<b>ASSETS</b>		
UTILITY PLANT:		
Plant in service	\$ 383,875	\$ 380,567
Less accumulated depreciation	(215,314)	(210,013)
Plant in service—net	168,561	170,554
Construction work in progress	2,747	4,917
Net utility plant	171,308	175,471
CURRENT ASSETS:		
Cash/unexpended appropriations	14,441	8,745
Accounts receivable	2,042	3,139
Other	26	26
Total current assets	16,509	11,910
DEFERRED WORKERS' COMPENSATION	6,534	6,274
<b>TOTAL ASSETS</b>	<b>\$ 194,351</b>	<b>\$ 193,655</b>
<b>FEDERAL INVESTMENT AND LIABILITIES</b>		
FEDERAL INVESTMENT:		
Congressional appropriations	\$ 807,219	\$ 780,504
U.S. Treasury transfers to continuing fund	1,461	1,461
Transfers from other federal agencies	15,473	17,691
Accumulated interest on federal investment	274,467	271,783
Funds returned to U.S. Treasury	(983,240)	(944,704)
Investment of U.S. government	115,380	126,735
Accumulated net revenues	70,353	57,500
Total federal investment	185,733	184,235
CURRENT LIABILITIES:		
Accounts payable	2,007	3,074
Accrued liabilities	77	72
Total current liabilities	2,084	3,146
ACCRUED WORKERS' COMPENSATION	6,534	6,274
<b>TOTAL FEDERAL INVESTMENT AND LIABILITIES</b>	<b>\$ 194,351</b>	<b>\$ 193,655</b>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM CUMBERLAND BASIN SYSTEM**

## **SUPPLEMENTAL REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>OPERATING REVENUES:</b>		
Sales of electric power	\$ 53,594	\$ 55,232
Other operating income	<u>1,037</u>	<u>696</u>
Total operating revenues	<u>54,631</u>	<u>55,928</u>
<b>OPERATING EXPENSES:</b>		
Operations	10,355	11,333
Maintenance	11,393	10,813
Transmission services charged by others	9,754	9,735
Pension and related expenses	<u>1,563</u>	<u>1,460</u>
Total operating expenses—excluding depreciation	33,065	33,341
Depreciation	<u>6,168</u>	<u>7,904</u>
Total operating expenses	<u>39,233</u>	<u>41,245</u>
Net operating revenues	<u>15,398</u>	<u>14,683</u>
<b>INTEREST EXPENSE:</b>		
Interest on federal investment	2,684	2,884
Less interest charged to construction	<u>(139)</u>	<u>47</u>
Net interest expense	<u>2,545</u>	<u>2,931</u>
<b>NET REVENUES</b>	<b>12,853</b>	<b>11,752</b>
<b>ACCUMULATED NET REVENUES:</b>		
Balance—beginning of year	<u>57,500</u>	<u>45,748</u>
Balance—end of year	<u>\$ 70,353</u>	<u>\$ 57,500</u>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM CUMBERLAND BASIN SYSTEM**

## **SUPPLEMENTAL CASH FLOWS INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net revenues	\$ 12,853	\$ 11,752
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation	6,168	7,904
Net interest on federal investment	2,545	2,931
(Increase) decrease in assets:		
Accounts receivable	1,097	(1,107)
Deferred workers' compensation	(260)	(1,686)
(Decrease) increase in liabilities:		
Accounts payable	(1,067)	1,792
Accrued liabilities	5	(5)
Accrued workers' compensation	260	1,686
Net cash provided by operating activities	<u>21,601</u>	<u>23,267</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES—Cash used in investing activities—utility plant</b>	<u>(1,866)</u>	<u>(3,381)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	26,715	20,025
Transfers from other federal agencies	(2,218)	5,123
Funds returned to U.S. Treasury	<u>(38,536)</u>	<u>(41,163)</u>
Net cash used in financing activities	<u>(14,039)</u>	<u>(16,015)</u>
<b>NET INCREASE IN CASH</b>	<b>5,696</b>	<b>3,871</b>
<b>CASH—Beginning of year</b>	<u><b>8,745</b></u>	<u><b>4,874</b></u>
<b>CASH—End of year</b>	<u><b>\$ 14,441</b></u>	<u><b>\$ 8,745</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES—Interest charged to construction</b>	<u><b>\$ 139</b></u>	<u><b>\$ -</b></u>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM KERR-PHILPOTT SYSTEM**

## **SUPPLEMENTAL ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION AS OF SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
UTILITY PLANT:		
Plant in service	\$ 107,777	\$ 104,314
Less accumulated depreciation	(53,093)	(51,954)
Plant in service—net	54,684	52,360
Construction work in progress	14,624	13,274
Net utility plant	69,308	65,634
CURRENT ASSETS:		
Cash/unexpended appropriations	3,465	1,403
Accounts receivable	613	1,147
Other	75	48
Total current assets	4,153	2,598
DEFERRED WORKERS' COMPENSATION	977	949
<b>TOTAL ASSETS</b>	<b>\$ 74,438</b>	<b>\$ 69,181</b>
<b>FEDERAL INVESTMENT AND LIABILITIES</b>		
FEDERAL INVESTMENT:		
Congressional appropriations	\$ 332,538	\$ 320,636
U.S. Treasury transfers to continuing fund	2,974	2,974
Transfers from other federal agencies	3,102	1,866
Accumulated interest on federal investment	64,929	63,284
Funds returned to U.S. Treasury	(369,882)	(360,641)
Investment of U.S. government	33,661	28,119
Accumulated net revenues	38,012	38,816
Total federal investment	71,673	66,935
CURRENT LIABILITIES:		
Accounts payable	1,746	1,258
Accrued liabilities	42	39
Total current liabilities	1,788	1,297
ACCRUED WORKERS' COMPENSATION	977	949
<b>TOTAL FEDERAL INVESTMENT AND LIABILITIES</b>	<b>\$ 74,438</b>	<b>\$ 69,181</b>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM KERR-PHILPOTT SYSTEM**

## **SUPPLEMENTAL REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>OPERATING REVENUES:</b>		
Sales of electric power	\$ 10,755	\$ 12,861
Other operating income	<u>205</u>	<u>(180)</u>
Total operating revenues	<u>10,960</u>	<u>12,681</u>
<b>OPERATING EXPENSES:</b>		
Operations	5,055	5,650
Maintenance	1,486	1,416
Transmission services charged by others	2,651	4,175
Purchased power	(107)	-
Pension and related expenses	<u>486</u>	<u>372</u>
Total operating expenses—excluding depreciation	9,571	11,613
Depreciation	<u>1,430</u>	<u>962</u>
Total operating expenses	<u>11,001</u>	<u>12,575</u>
Net operating (deficit) revenues	<u>(41)</u>	<u>106</u>
Interest on federal investment	1,645	1,416
Less interest charged to construction	<u>(882)</u>	<u>(888)</u>
Net interest expense	<u>763</u>	<u>528</u>
<b>NET DEFICIT</b>	<b>(804)</b>	<b>(422)</b>
<b>ACCUMULATED NET REVENUES:</b>		
Balance—beginning of year	<u>38,816</u>	<u>39,238</u>
Balance—end of year	<u>\$ 38,012</u>	<u>\$ 38,816</u>

See accompanying independent auditors' report.

# **SOUTHEASTERN FEDERAL POWER PROGRAM KERR-PHILPOTT SYSTEM**

## **SUPPLEMENTAL CASH FLOWS INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004 (In thousands)**

	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net deficit	\$ (804)	\$ (422)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Depreciation	1,430	962
Net interest on federal investment	763	528
(Increase) decrease in current assets:		
Accounts receivable	534	58
Other assets	(27)	(7)
Deferred workers' compensation	(28)	(196)
(Decrease) increase in liabilities:		
Accounts payable	488	(169)
Accrued liabilities	3	1
Accrued workers' compensation	28	196
Net cash provided by operating activities	<u>2,387</u>	<u>951</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES—Cash used in investing activities—investment in utility plant</b>	<u>(4,222)</u>	<u>(6,556)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Congressional appropriations	11,902	12,673
Transfers from other federal agencies	1,236	(472)
Funds returned to U.S. Treasury	(9,241)	(9,229)
Net cash provided by financing activities	<u>3,897</u>	<u>2,972</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,062</b>	<b>(2,633)</b>
<b>CASH—Beginning of year</b>	<u><b>1,403</b></u>	<u><b>4,036</b></u>
<b>CASH—End of year</b>	<u><b>\$ 3,465</b></u>	<u><b>\$ 1,403</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES—Interest charged to construction</b>	<u><b>\$ 882</b></u>	<u><b>\$ 888</b></u>

See accompanying independent auditors' report.

# SOUTHEASTERN FEDERAL POWER PROGRAM

## COMBINING ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION

AS OF SEPTEMBER 30, 2005

(In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
<b>ASSETS</b>			
UTILITY PLANT:			
Plant in service	\$ 2,108,533	\$ 1,463	\$ 2,109,996
Less accumulated depreciation	(705,181)	(896)	(706,077)
Plant in service—net	1,403,352	567	1,403,919
Construction work in progress	65,395	-	65,395
Net utility plant	1,468,747	567	1,469,314
CURRENT ASSETS:			
Cash/unexpended appropriations	26,749	3,307	30,056
Accounts receivable	35	16,241	16,276
Other	5,063	27	5,090
Total current assets	31,847	19,575	51,422
DEFERRED WORKERS' COMPENSATION	11,929	-	11,929
<b>TOTAL ASSETS</b>	<b>\$ 1,512,523</b>	<b>\$ 20,142</b>	<b>\$ 1,532,665</b>
<b>FEDERAL INVESTMENT AND LIABILITIES</b>			
FEDERAL INVESTMENT:			
Congressional appropriations	\$ 3,268,757	\$ 376,669	\$ 3,645,426
U.S. Treasury transfers to continuing fund	-	37,645	37,645
Transfers from other federal agencies	59,754	(9,243)	50,511
Accumulated interest on federal investment	1,572,790	789	1,573,579
Funds returned to U.S. Treasury	(3,446,809)	(388,935)	(3,835,744)
Investment of U.S. government	1,454,492	16,925	1,471,417
Accumulated net revenues	33,952	-	33,952
Total federal investment	1,488,444	16,925	1,505,369
CURRENT LIABILITIES:			
Accounts payable	12,150	2,868	15,018
Accrued liabilities	-	349	349
Total current liabilities	12,150	3,217	15,367
ACCRUED WORKERS' COMPENSATION	11,929	-	11,929
COMMITMENTS AND CONTINGENCIES	-	-	-
<b>TOTAL FEDERAL INVESTMENT AND LIABILITIES</b>	<b>\$ 1,512,523</b>	<b>\$ 20,142</b>	<b>\$ 1,532,665</b>

See accompanying independent auditors' report.

# SOUTHEASTERN FEDERAL POWER PROGRAM

## COMBINING ASSETS, FEDERAL INVESTMENT, AND LIABILITIES INFORMATION AS OF SEPTEMBER 30, 2004 (In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
<b>ASSETS</b>			
<b>UTILITY PLANT:</b>			
Plant in service	\$ 2,039,358	\$ 1,463	\$ 2,040,821
Less accumulated depreciation	(660,687)	(757)	(661,444)
Plant in service—net	1,378,671	706	1,379,377
Construction work in progress	87,031	-	87,031
Net utility plant	1,465,702	706	1,466,408
<b>CURRENT ASSETS:</b>			
Cash/unexpended appropriations	22,779	3,295	26,074
Accounts receivable	859	17,373	18,232
Other	5,064	-	5,064
Total current assets	28,702	20,668	49,370
DEFERRED WORKERS' COMPENSATION	12,276	-	12,276
<b>TOTAL ASSETS</b>	<b>\$ 1,506,680</b>	<b>\$ 21,374</b>	<b>\$ 1,528,054</b>
<b>FEDERAL INVESTMENT AND LIABILITIES</b>			
<b>FEDERAL INVESTMENT:</b>			
Congressional appropriations	\$ 3,150,284	\$ 372,992	\$ 3,523,276
U.S. Treasury transfers to continuing fund	-	37,645	37,645
Transfers from other federal agencies	48,849	(4,508)	44,341
Accumulated interest on federal investment	1,505,981	755	1,506,736
Funds returned to U.S. Treasury	(3,257,721)	(388,520)	(3,646,241)
Investment of U.S. government	1,447,393	18,364	1,465,757
Accumulated net revenues	30,596	-	30,596
Total federal investment	1,477,989	18,364	1,496,353
<b>CURRENT LIABILITIES:</b>			
Accounts payable	16,415	2,684	19,099
Accrued liabilities	-	326	326
Total current liabilities	16,415	3,010	19,425
ACCRUED WORKERS' COMPENSATION	12,276	-	12,276
COMMITMENTS AND CONTINGENCIES	-	-	-
<b>TOTAL FEDERAL INVESTMENT AND LIABILITIES</b>	<b>\$ 1,506,680</b>	<b>\$ 21,374</b>	<b>\$ 1,528,054</b>

See accompanying independent auditors' report.

# SOUTHEASTERN FEDERAL POWER PROGRAM

## COMBINING REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2005 (In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
OPERATING REVENUES:			
Sales of electric power	\$ 178,479	\$ 41,637	\$ 220,116
Other operating income	2,176	2	2,178
Total operating revenues	180,655	41,639	222,294
OPERATING EXPENSES:			
Operations	35,095	5,297	40,392
Maintenance	27,559	47	27,606
Transmission services charged by others	-	30,738	30,738
Purchased power	-	5,033	5,033
Pension and related expenses	3,814	351	4,165
Total operating expenses—excluding depreciation	66,468	41,466	107,934
Depreciation	47,181	139	47,320
Total operating expenses	113,649	41,605	155,254
Net operating revenues	67,006	34	67,040
INTEREST EXPENSE:			
Interest on federal investment	66,808	34	66,842
Less interest charged to construction	(3,158)		(3,158)
Net interest expense	63,650	34	63,684
NET REVENUES	3,356	-	3,356
ACCUMULATED NET REVENUES:			
Balance—beginning of year	30,596	-	30,596
Balance—end of year	\$ 33,952	\$ -	\$ 33,952

See accompanying independent auditors' report.

# SOUTHEASTERN FEDERAL POWER PROGRAM

## COMBINING REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2004

(In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
OPERATING REVENUES:			
Sales of electric power	\$ 166,606	\$ 50,590	\$ 217,196
Other operating income	<u>6,940</u>	<u>3</u>	<u>6,943</u>
Total operating revenues	<u>173,546</u>	<u>50,593</u>	<u>224,139</u>
OPERATING EXPENSES:			
Operations	37,046	4,840	41,886
Maintenance	26,629	46	26,675
Transmission services charged by others	-	31,835	31,835
Purchased power	-	13,340	13,340
Pension and related expenses	<u>3,502</u>	<u>337</u>	<u>3,839</u>
Total operating expenses—excluding depreciation	67,177	50,398	117,575
Depreciation	<u>42,503</u>	<u>154</u>	<u>42,657</u>
Total operating expenses	<u>109,680</u>	<u>50,552</u>	<u>160,232</u>
Net operating revenues	<u>63,866</u>	<u>41</u>	<u>63,907</u>
INTEREST EXPENSE:			
Interest on federal investment	66,704	41	66,745
Less interest charged to construction	<u>(5,478)</u>	<u>-</u>	<u>(5,478)</u>
Net interest expense	<u>61,226</u>	<u>41</u>	<u>61,267</u>
NET REVENUES	2,640	-	2,640
ACCUMULATED NET REVENUES:			
Balance—beginning of year	<u>27,956</u>	<u>-</u>	<u>27,956</u>
Balance—end of year	<u>\$ 30,596</u>	<u>\$ -</u>	<u>\$ 30,596</u>

See accompanying independent auditors' report.

# SOUTHEASTERN FEDERAL POWER PROGRAM

## COMBINING CASH FLOWS INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2005

(In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net revenues	\$ 3,356	\$ -	\$ 3,356
Adjustments to reconcile net revenues to net cash provided by operating activities:			
Depreciation	47,181	139	47,320
Net interest on federal investment	63,650	34	63,684
(Increase) decrease in assets:			
Accounts receivable	824	1,132	1,956
Other assets	-	(26)	(26)
Deferred workers' compensation	347	-	347
(Decrease) increase in liabilities:			
Accounts payable	(4,265)	184	(4,081)
Accrued liabilities	-	23	23
Accrued workers' compensation	(347)	-	(347)
Net cash provided by operating activities	<u>110,746</u>	<u>1,486</u>	<u>112,232</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES—</b>			
Cash used in investing activities—investment in utility plant	<u>(47,067)</u>	<u>-</u>	<u>(47,067)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Congressional appropriations	118,473	3,677	122,150
Transfers from other federal agencies	10,905	(4,735)	6,170
Funds returned to U.S. Treasury	<u>(189,087)</u>	<u>(416)</u>	<u>(189,503)</u>
Net cash used in financing activities	<u>(59,709)</u>	<u>(1,474)</u>	<u>(61,183)</u>
<b>NET INCREASE IN CASH</b>	<b>3,970</b>	<b>12</b>	<b>3,982</b>
<b>CASH—Beginning of year</b>	<u><b>22,779</b></u>	<u><b>3,295</b></u>	<u><b>26,074</b></u>
<b>CASH—End of year</b>	<u><b>\$ 26,749</b></u>	<u><b>\$ 3,307</b></u>	<u><b>\$ 30,056</b></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES—</b>			
Interest charged to construction	<u>\$ 3,158</u>	<u>\$ -</u>	<u>\$ 3,158</u>

See accompanying independent auditors' report.

# SOUTHEASTERN FEDERAL POWER PROGRAM

## COMBINING CASH FLOWS INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2004 (In thousands)

	Corps of Engineers	Southeastern Power Administration	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net revenues	\$ 2,640	\$ -	\$ 2,640
Adjustments to reconcile net revenues to net cash provided by (used in) operating activities:			
Depreciation	42,503	154	42,657
Net interest on federal investment	61,226	41	61,267
(Increase) decrease in assets:			
Accounts receivable	(787)	(2,792)	(3,579)
Other assets	89	-	89
Deferred workers' compensation	(2,914)	-	(2,914)
(Decrease) increase in liabilities:			
Accounts payable	2,525	(275)	2,250
Accrued liabilities	-	5	5
Accrued workers' compensation	2,914	-	2,914
Net cash provided by (used in) operating activities	108,196	(2,867)	105,329
<b>CASH FLOWS FROM INVESTING ACTIVITIES—</b>			
Cash used in investing activities—investment in utility plant	(44,596)	(89)	(44,685)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Congressional appropriations	101,877	7,502	109,379
Transfers from other federal agencies	9,197	(6,495)	2,702
Funds returned to U.S. Treasury	(174,456)	1,782	(172,674)
Net cash (used in) provided by financing activities	(63,382)	2,789	(60,593)
<b>NET INCREASE (DECREASE) IN CASH</b>	218	(167)	51
<b>CASH—Beginning of year</b>	22,559	3,464	26,023
<b>CASH—End of year</b>	\$ 22,777	\$ 3,297	\$ 26,074
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES—</b>			
Interest charged to construction	\$ 5,478	\$ -	\$ 5,478

See accompanying independent auditors' report.

## SOUTHEASTERN FEDERAL POWER PROGRAM

AMOUNT AND ALLOCATION OF PLANT INVESTMENT (UNAUDITED)  
AS OF SEPTEMBER 30, 2005  
(In thousands)

	Total	Reimbursable		Allocated to				Percent of Total Plant Investment Returnable From Power Revenues
		Power	Navigation	Flood Control	Nonreimbursable Fish & Wildlife	Recreation	Other	
PROJECTS IN SERVICE & OTHER:								
Allatoona	\$ 59,000	\$ 41,295	\$ -	\$ 9,172	\$ -	\$ 8,302	\$ 232	70.0 %
Buford	94,393	75,329	2,120	4,696	-	12,248	-	79.8
Carters	163,978	142,184	-	14,358	-	7,436	-	86.7
J. Strom Thurmond	168,771	150,140	4,515	4,151	-	9,965	-	89.0
Walter F. George	232,877	142,680	81,653	-	348	8,196	-	61.3
Hartwell	191,903	174,339	4,104	5,199	-	8,260	-	90.8
Robert F. Henry	99,935	65,549	24,324	-	-	10,063	-	65.6
Millers Ferry	93,009	55,106	33,133	-	-	4,770	-	59.2
West Point	153,461	66,183	2,699	21,590	13,851	49,138	-	43.1
Richard B. Russell	1,114,874	688,540	-	4,805	-	421,529	-	61.8
Marketing facilities	936	936	-	-	-	-	-	100.0
Contributions in aid of construction	(5)	(5)	-	-	-	-	-	100.0
Total GA-ALA-SC System	2,373,132	1,602,276	152,548	63,971	14,199	539,907	232	67.5
Jim Woodruff	102,592	64,062	32,041	-	-	6,488	-	62.4
Marketing facilities	29	29	-	-	-	-	-	100.0
Total Jim Woodruff System	102,621	64,091	32,041	-	-	6,488	-	62.5
Barkley	197,625	49,992	116,635	23,098	-	7,900	-	25.3
J. Percy Priest	66,270	11,646	-	25,904	-	28,719	-	17.6
Cheatham	51,567	21,455	-	-	-	4,262	-	41.6
Cordell Hull	90,471	42,668	-	-	-	23,758	6,501	47.2
Old Hickory	72,952	40,399	-	-	-	4,294	-	55.4
Center Hill	77,380	39,494	-	29,527	-	7,663	696	51.0
Dale Hollow	33,792	20,568	-	11,217	-	2,007	-	60.9
Wolf Creek	222,847	133,225	-	83,518	-	5,858	246	59.8
Laurel	51,300	27,439	-	-	-	17,518	6,343	53.5
Stonewall Jackson	-	-	-	-	-	-	-	-
Marketing facilities	322	322	-	-	-	-	-	100.0
Contributions in aid of construction	(586)	(586)	-	-	-	-	-	100.0
Total Cumberland Basin System	863,940	386,622	116,635	173,264	-	101,979	13,786	44.8
John H. Kerr	143,250	112,899	-	24,895	-	5,093	364	78.8
Philpott	20,687	9,327	-	8,300	-	3,059	-	45.1
Marketing facilities	176	176	-	-	-	-	-	100.0
Total Kerr-Philpott System	164,113	122,402	-	33,195	-	8,152	364	74.6
TOTAL	\$3,503,806	\$2,175,391	\$301,224	\$270,430	\$14,199	\$656,526	\$14,382	62.1

(a) Water Supply.

(b) World War II Suspension Costs.

(c) Area Redevelopment.